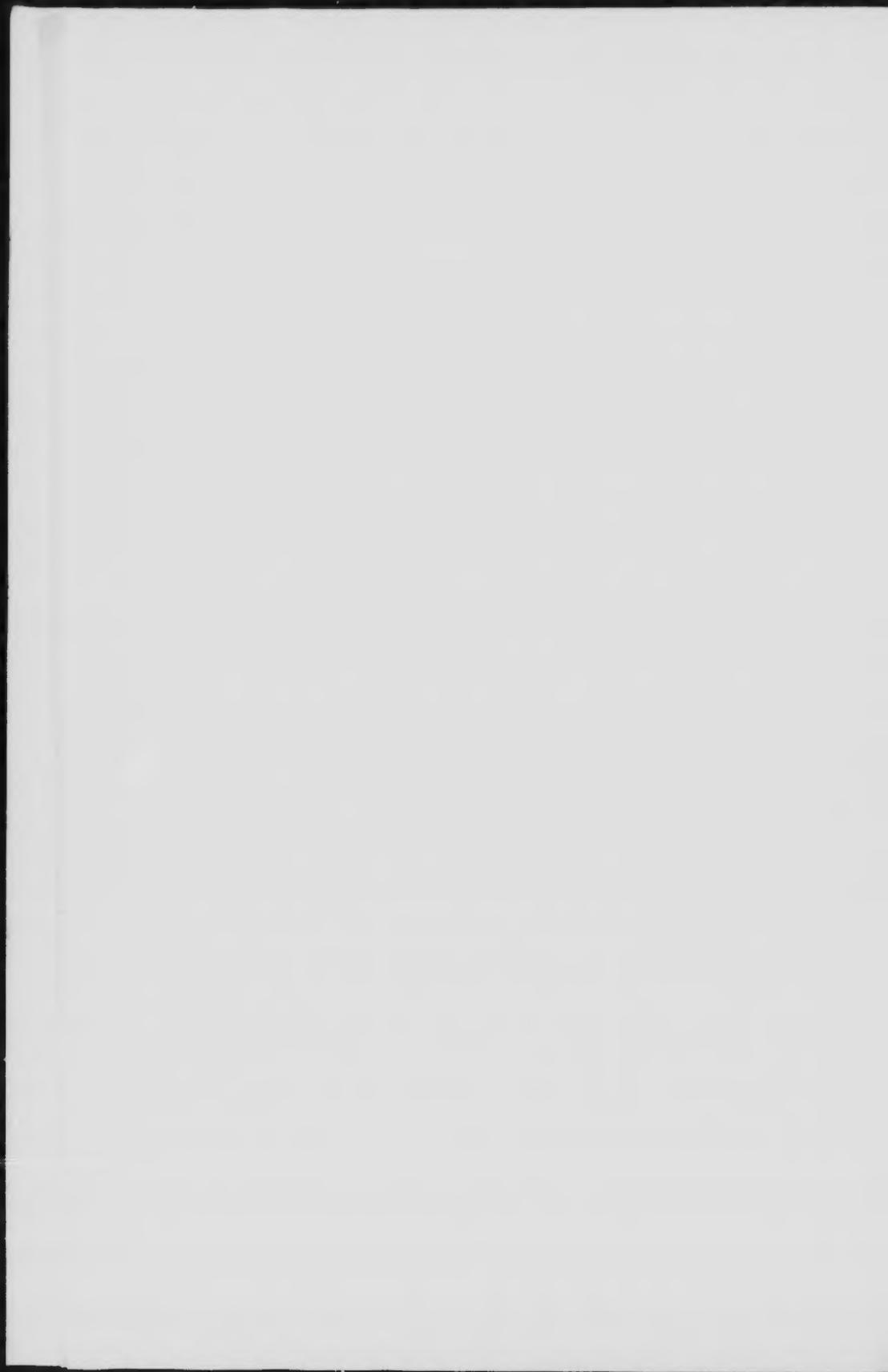




O. Francoube



Promissory Notes, Bills of Exchange, Cheques, and other Negotiable Instruments,

A REFERENCE BOOK FOR BUSINESS MEN

AND

A TEXT BOOK FOR COMMERCIAL STUDENTS,

BY

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PREFACE.

This work had its origin in the lectures delivered daily by the Author to the students of the Ontario Business College, commencing in the year 1877 and continuing to the present date.

It is an accurate, safe and trusty guide for business men when dealing with Bills and Notes, as it is based on wide, practical experience, close observation and minute study of the subjects of which it treats.

Accurate and comprehensive knowledge of Negotiable Paper is indispensable to the business man; and it is essential in the training of those who are preparing for a commercial career. To furnish such knowledge has been and is the aim of the Author in the several editions of this book.

J. W. JOHNSON.

ONTARIO BUSINESS COLLEGE,
Belleville, Canada, 1911.

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CONTENTS.

	PAGE
Preface	2
Introductory	4 to 12
Common Law and Statute Law	4 and 5
Law Merchant	5
Contracts, Simple and Specialty	6 to 11
Statute of Frauds	7 to 9
Seal	9
Contracts Outlawed	11 and 35
Negotiable Paper and Assignable Paper	11 and 12
Promissory Notes	13 to 44
Legal Rate of Interest	27
Usury	28 to 32
Days of Grace	32, 53 and 54
Legal Holidays	32 and 33
Power of Attorney	10, 33 and 34
Signature by Procuration	10 and 33
Indorsements	35 to 40
Statute of Limitations	35
Guarantee	38
Protest by Notary Public to hold Indorsers liable	39 to 41, 116 to 119
Waiving Protest	41
Noting	42
Merger	44
Bookkeeping in Connection with Notes	44 to 53
Authorized Method of Working Discount	48 to 52
Discounting Notes bearing Interest	50 to 52
Lien Notes	54 to 57
I. O. U.	57
Drafts, or Inland Bills of Exchange	57 to 73
Bank Draft	71 to 73
Foreign Bills of Exchange	73 to 81
Par of Sterling Exchange Explained	78
Letter of Credit and Circular Letter of Credit	80, 81, 83 and 84
Cheques on a Bank	82 to 98
Crossed Cheques	93 to 95
Bank Deposit Ledger, Continuous Balance Shown	91
Cash Book containing the Bank Account	96 and 97
Bills of Lading	99 to 104
Under what Circumstances Bills of Lading are Attached to Drafts	101
Warehouse Receipts	104 and 105
Debentures or Bonds	105 to 108
Questions for Review, Introductory	109 and 110
Questions for Review, Promissory Notes	110 to 112
Questions for Review, Drafts	112 to 114
Questions for Review, Cheques	114 and 115
Questions for Review, Bills of Lading and Warehouse Receipts	115
Questions for Review, Debentures or Bonds	116
Protest of a Note for Non-Payment	116 to 119

INTRODUCTORY.

THE Act of the Imperial Parliament of the Empire, known as "The British North America Act," is the written Constitution of Canada, which brought the Dominion into existence on the first of July, 1867. That Act gives to the Dominion Parliament alone the right to legislate upon the subject of Promissory Notes, Bills of Exchange and Cheques.

In the year 1890, the Parliament of Canada enacted a statute known as the "Bills of Exchange Act, 1890," by which previous legislation and decisions respecting Promissory Notes, Bills of Exchange, Cheques and other negotiable instruments have been codified.

It is desirable that a business man should have some knowledge of the principles of law, particularly in its application to commerce, and more especially in relation to Bills and Notes. Ignorance of it can never be successfully urged in prosecuting or defending an action..

COMMON LAW.

is the unwritten law of England, which has a history of more than a thousand years. It has come to British people by tradition, custom and the decisions of the courts, based on well-known general usage, and common sense principles of justice. It has been appropriately called "Judge-made Law."

NOTE:—The letters *q.v.* occur at various places in the book; they stand for the Latin words *Quod Vide*—which see.

STATUTE LAW.

is the written Law, or Acts of Parliament, made from time to time by the Legislatures, and when there is any conflict, its enactments wholly over-rule the Common Law.

The History of Bills of Exchange and Promissory Notes shows how the usages of merchants, bankers, and Traders became the Common Law in regard to these instruments. When disputes arose in connection with them, the courts simply required that the general usage among merchants and bankers should be proved, and this being judicially ascertained, it received the sanction of legal decision and consequently became incorporated into the Common Law. These legal decisions, again, as precedents, became the basis of other decisions. This Law-making power of merchants is known as the

Law-Merchant (Lex Mercatoria),

which the courts of justice are bound to know and recognize. The controlling effect of the Law-Merchant is well illustrated in the transfer of Notes and Bills from one person to another. By the rule of the ancient Common Law, no property that was not actually in possession (or that could be reduced into possession) could be transferred. Bills and Notes only express the legal right to possession of money in the future. But merchants had established the custom of transferring Bills of Exchange by delivering from hand to hand, or by writing a name on the Bill, which not only transferred the right of action, but created an unwritten conditional contract of guarantee to any one who might be the lawful holder. Not only did the Law-Merchant thus overcome the general rules of the old Common Law, but to some extent the Statute of Frauds (see pages 7 and 8) was surmounted.

Another illustration of the Law-Merchant is seen in the exemption of Bills and Notes from the ordinary rules that apply to contracts and the law of evidence.

CONTRACTS.

A Contract is an agreement by which two or more competent parties mutually promise and engage to give some particular thing, or to do, or abstain from doing some particular act for some good consideration, expressed or implied.

Promissory Notes and Bills of Exchange are the commonest forms of Contracts. They enter more than any other into the daily commercial life of the people of any civilized country, and into the transactions between the various nations of the world.

When men enter into other forms of contracts—such as those represented by deeds, mortgages, bonds, etc.—they usually, and indeed of necessity, resort to a trained solicitor for direction and guidance, but in giving and receiving Notes and Bills, the individuals concerned should be able, without recourse to a lawyer, or even to a banker, to deal intelligently and safely with them under all ordinary circumstances.

Written, as it is, by a practical business man, and having as its basis practical experience and observation, and not theory or technicality only, this work has imparted reliable knowledge of Bills and Notes to thousands of students and business men, and to other classes of the community that have to deal with them.

While it is desirable, as has been said before, that a reliable solicitor should be a person's guide in making other Contracts than Bills and Notes, yet there are certain fundamental principles relating to Contracts in general that should be universally known.

There are Two Kinds of Contracts.

Contracts are divided into two classes, which are known as **Simple Contracts** and **Specialty Contracts**.

Simple Contracts may be made either by word of mouth (called parole) or in writing. The writing is not the Contract; it is the evidence that testifies what the Contract is.

Specialty Contracts must not only be in writing, but must likewise be under seal.

A consideration, that is to say an equivalent offered by the one party and accepted by the other, is essential and must be expressed in every Contract not under seal. When suing upon a Simple Contract the consideration must in general be proved, but this would not be necessary when enforcing a Specialty Contract.

Notes and Bills are excepted from the general rule that requires the consideration to be proved on Contracts not under seal.

A consideration may be good or valuable, and need not be money or goods; it may be to do or refrain from doing. Marriage is an example of a good consideration in a Contract. Contracts made on Sunday are void.

A Simple written Contract is duly made when it is signed and **delivered**; a Specialty Contract is duly made when it is signed, **sealed** and **delivered**, that is, wholly executed.

There are some simple contracts which the
The Statute law requires to be in writing. The Statute of
of Frauds. Frauds, passed in the reign of Charles II.

(1676), which is still in force in Canada (as all English Common law, and all applicable Statute law, prior to

1791, is, unless it has been repealed or modified by Canadian legislation), requires that a verbal promise shall not be sufficient in certain cases, but that the agreement or some memorandum of it shall be in writing, and be signed by the party to be charged therewith, or by some one authorized to sign for him. The principal cases are:

1. When a man promises to pay the debt of another person, or answer for his default. For example, a man steps into your store and says, "I will be responsible for goods you may sell John Smith, to the amount of \$50.00." If, in your ignorance of the law, you did not cause the guarantor to put the agreement in writing, even though you could bring a dozen people to swear to the verbal statement, you would have no legal hold upon him, nothing beyond the moral claim, and that might not be of any value.
2. To enforce the sale or purchase of goods to the value of over \$40.00, the contract must be in writing, unless there has been a part of the purchase money paid upon it (often called earnest money), be it ever so small, or a partial delivery and acceptance of the goods, even the smallest portion of them.
3. Where an executor or administrator promises to be liable out of his own estate.
4. When an agreement is made which is not to be performed within a year. For instance, if you engage with a man to serve him as bookkeeper for two years, the agreement would not be binding unless it was made in writing. Again, a contract to supply goods or furnish labor or material at a certain price would not be binding on either of the parties to a verbal contract for a longer definite period than one year.

5. Contracts affecting land or any interest in land, such as a contract to purchase, must be in writing. Instruments that are intended to pass an estate in land, such as deeds and mortgages, must not only be in writing, but be under seal. A lease for any term not more than three years may be made verbally, but for a term beyond three years it must be in writing and should be under seal.

An offer of a contract may be recalled, but not an acceptance of an offer.

What Constitutes a Seal.

A Seal in this case means any adhesive thing, or distinctive mark, that you may adopt as your Seal, and attach to or define on the instrument.

Who are Competent to Make a Contract.

Any person of either sex who is twenty-one years old and of sound mind is competent to make a contract. A person who is under the age of twenty-one years is, in the eyes of the law, an infant, and incapable of making a Contract. Many persons are under the impression that a woman is of age at eighteen. This is a mistake.

A minor (a person under age) could not engage in business on his or her own account, but it would be competent for a minor to contract for necessities suitable for his or her station in life.

It is not competent for any one to make a Contract against public policy, or in unreasonable restraint of trade. For example, it would not be legal for a man selling out a business to undertake that he would never engage in the same business again. It is held to be against public policy for any citizen to thus absolutely restrict his future actions.

(B)

A Contract with a corporation (say a joint stock company or municipality) must be within the scope of its charter, and to be binding must have the corporation seal attached. This would not be required in connection with Promissory Notes and Bills of Exchange, issued or drawn, indorsed or accepted in the ordinary course of its business.

An agent may contract for his principal within the scope of his authority; which is usually conferred by an instrument under seal called a **Power of Attorney**. The authority conferred by Power of Attorney is called "Procurator." When signing by Procurator (say an accountant signing a cheque, drawing a draft, accepting a draft, indorsing, etc.,) sign thus:

ROBINSON & JOHNSON,
per pro. W. J. Osborne.
(or p. p.)

It is done a little more formally in such an instrument as a deed or mortgage, as

JOHN JONES,
by his attorney, Richard Roe.

A valid and binding contract may be made by written correspondence or telegram. All that is required is an offer and an unconditional acceptance of it. An offer that has not been accepted can be withdrawn. Letters sent by you that are intended to constitute a Contract should be copied into your copying press book, and those you receive in such connection should be carefully filed for reference. When a letter is posted it ceases to be the property of the writer; it has become the

*See also further over.

property of the person, firm or corporation to whom it is addressed. Post Masters are forbidden to return letters when once deposited in the post office.

The words "Without Prejudice" added to a written offer mean that the letter cannot afterward be used in evidence against the party writing the letter and using the words; and in negotiations for a compromise, if not concluded on the basis offered, the matter reverts back to the original position as though no negotiations had occurred.

When Contracts are Outlawed.

Simple contracts for debts not referring to land are outlawed after six years from the date of maturity, or from the date of the last payment on account, or from the last written acknowledgment; Contracts affecting land, ten years; and personal covenants under seal, twenty years from the time at which the right of action arose. For instance, (1) a Note dated April 5th, 1903, at three months, would be outlawed after July 8th, 1909, if, in the meantime, no payment had been made upon it, or no written acknowledgment had been given in reference to it. (2) The land covered by a mortgage upon which no payment had been made for 10 years after maturity, or regarding which no written acknowledgment had been given within that time, would be released at the expiration of that period. (3) The personal covenants for payment on the same mortgage, if made before 1st July, 1894, would not be outlawed for twenty years, but only six years' arrears of interest on a mortgage can be collected.

Negotiable Paper.

Negotiable Paper is that which may be transferred from one person to another, the holder for the time being possessing

all the rights of the party to whom the instrument was originally given by the maker. It is made payable to bearer or order as explained at pages 15 and 16. It embraces Promissory Notes, Drafts (or Bills of Exchange), Cheques, Debentures (or Bonds), Bills of Lading and Warehouse Receipts, all of which are dealt with in this book.

The Difference between Negotiable Documents and Assignable Documents.

There are two classes of paper documents, which circulate in commerce, and are transferable by indorsement, which are of two distinct natures, (1) those which arise out of a Bailment, and (2) those which arise out of a Debt. Bills of Lading and Warehouse Receipts belong to the one class, and Promissory Notes, Cheques, Bills of Exchange and Debentures belong to the other class. Those which arise out of a Bailment are titles to those specific goods and to no others, and cannot circulate separately from them, and the law of their transfer follows the law of goods. If the transferor is not lawfully possessed of the goods he cannot transfer the property in them. Those which arise out of a Debt become the actual property of the buyer, and are severed from any specific money or any specific fund. They are abstract rights against a person who is bound to pay them without any condition, and the law of their transfer follows the law of money.

All negotiable instruments are assignable, but all assignable instruments are not negotiable. See, for example, "Restrictive Indorsement," and also the assignment of a non-negotiable note.

PROMISSORY NOTES AND BILLS OF EXCHANGE.

Promissory Notes.

A person has become indebted to you either for goods sold or work done, and you have duly placed the amount to his debit in your ledger; but you find that it will be much more advantageous to you to have this resource or asset of your business in another form, so you obtain from your debtor his Promissory Note, or get him to accept your Draft. Should you desire that the amount owing to you be paid to some one to whom you are indebted, then you will draw the Draft payable to his order. Your object in obtaining the written obligation is threefold, and there will be these

1st. The Note or Accepted Draft is in **Advantages.** itself an evidence of the debt, requiring no confirmation (unless the signature be challenged) nor proof of the consideration given for it, nor the production of the original entry.

2nd. It fixes a definite time, and usually a stated place, for the payment, so that the holder, when it falls due, will not have the trouble of hunting up the maker, nor the maker of finding the holder. The debtor having provided the funds at the place where he promised to pay the instrument, the holder has simply to present it there and obtain the amount, a matter of much convenience to both parties.

3rd. It is an instrument upon which, after indorsing it, you may borrow money from a bank or private lender. This

is called discounting. In other words, by the medium of the Bill or Note as security, you obtain the use of other people's capital, paying for the loan a discount from the face of the instrument; which is the simple interest, in advance, upon the whole amount for the time it has to run, including the days of grace. See "Discounting Notes."

It is well to point out just here that **Disadvantages.** there may be a disadvantage sometimes in holding a note not due against a debtor, for it might be desirable to sue him for the debt prior to the maturity of the Note, which could not be done. Again, if a sum of money is due to you for which you have a specific and preferential remedy, this particular benefit may be lost by taking a Note to cover the amount. An instance of this is a landlord's right of distress for rent, under the law of Landlord and Tenant.

**Definition of
a Promissory
Note**

A Promissory Note is an unconditional promise in writing, made by one person to another, signed by the maker, engaging to pay on demand or at a fixed or determinable future time, a sum certain in money to, or to the order of, a specified person or to bearer.

A determinable future time means in connection with a Note or Draft:—

- (a) At sight, or at a fixed period after date or sight.
- (b) On or at a fixed period after the occurrence of a specified event which is certain to happen, though the time of happening may be uncertain.

An instrument expressed to be payable on a contingency is not a Bill or Note, and the happening of the event does not cure the defect.

If a Note or Draft is issued undated, any holder may insert therein the proper date of issue or acceptance. See also "Altering a Note."

A Promissory Note is inchoate and incomplete until delivery thereof to the payee or bearer.

A Note promising to pay goods is not a valid Promissory Note; it is, however, a Contract, and may be sued for, and the value collected if the party fails to furnish the goods.

The Person who gives a Note is called the **Parties to a Note.** Promissor, or Maker; the person in whose favor it is drawn is called the Payee; if he signs his name upon the back for the purpose of transferring or guaranteeing it, he becomes the Indorser, and if he names the person to whom he transfers it, the latter is called the Indorsee; either of these, or any one in possession of a Note, may be called a Holder.

One partner of a trading partnership may make Notes for partnership purposes within the scope of the business, and bind the other partners by the use of the firm name, but this is not so in the case of a partnership within the scope of whose business the making of notes does not usually fall as a necessary and incidental result.

Notes may be made (1) non-negotiable
Forms of Notes. (2) negotiable by indorsement, (3) negotiable without indorsement. The first is made payable to the individual **only**, and can be transferred only by assignment, which carries with it all offsets and legal defences that may exist between the original parties; the second is payable to order, and is transferred by the indorsement of the holder (the payee) completed by delivery, which makes the in-

dorser liable for payment in the event of the maker failing to pay, provided he (the indorser) has been legally notified of dishonor, as explained further over; the third is payable to bearer, and is transferred by delivery, just as a Bank Note is passed from hand to hand. Where, in a Note payable to order, the payee or indorsee is wrongly designated, or his name is misspelt, he may indorse it as therein described, adding, if he thinks fit, his proper signature. A Note may be transferred either before or after it is due. When taken *bona fide* before maturity, the assignee is not affected by any circumstances of which he had no notice, existing between the antecedent parties to the note. When received after maturity, the assignee (indorsee) takes the Note subject to all the equitable rights existing between the parties.

It will be observed that in all the forms of Notes and Bills given in the book, the words "Value Received" are inserted. It is well to follow the universal custom in this matter, for you might find it difficult to negotiate an instrument in which the words were omitted. The absence of the words, however, would not make a Note or Bill invalid or non-negotiable, for Section 27 of Part II. of the Bills of Exchange Act, Chapter 119, R. S. 1906, says: a Bill (or Note) is not invalid by reason that it does not specify the value given, or that any value has been given therefor.

A Non-Negotiable Note.

\$100.00.

Belleville, October 26, 1910.

Three months after date I promise to pay to William Mc-

Cable, *only, at the Bank of Montreal here, the sum of One hundred Dollars, for value received.

JOHN SMITH.

A Note Negotiable by Indorsement.

\$387.80.

Toronto, October 26, 1910.

Five months after date I promise to pay to the order of F. A. Wills the sum of Three Hundred and Eighty Seven ⁸⁰/₁₀₀ Dollars, at the Canadian Bank of Commerce in Toronto, for value received.

JOHN SMITH.

A Note Negotiable Without Indorsement.

\$50.00.

Hamilton, October 26, 1910.

Thirty days after date I promise to pay to William Green or bearer, at my office in Hamilton, the sum of Fifty Dollars for value received.

JOHN SMITH.

A Note Payable on Demand.†

\$35.00.

Montreal, Oct. 26, 1910.

On demand, for value received, I promise to pay to the order of W. B. Robinson, the sum of Thirty Five Dollars.

JOHN SMITH.

Where a note payable on demand has been indorsed, it must be presented for payment within a reasonable time of the

*It is necessary now to write *only* in a note not intended to be negotiable. The Bills of Exchange Act provides that where a bill or note is expressed to be payable to a particular person, and does not contain words prohibiting transfer, or indicate an intention that it should not be transferable, it shall be payable to the order of the person named in the bill as the payee.

†The Statute of Limitations (*q.v.*) does not begin to run against a note or bill payable on demand until the date when it is presented for payment.

indorsement; if it is not so presented, the indorser is discharged.

In determining what is a reasonable time, regard shall be had to the nature of the instrument, the usage of trade and the facts of the particular case.

A Joint and Several Note.

\$75.00.

Belleville, October 26, 1910.

Six months after date we jointly and severally promise to pay to the order of S. G. Beatty the sum of Seventy-Five Dollars, at the office of the Dominion Bank in Belleville, for value received.

HENRY BROWN.

JOHN SMITH.

JAMES G. LEONARD.

Where a Note runs "I promise to pay," and is signed by two or more persons, it is deemed to be their joint and several note.

The holder of a joint and several note has recourse against all the makers, individually and collectively, from any of whom he is entitled to collect the full amount. Protest is not necessary on dishonor (non-payment) if there is no indorser on it. Should the holder be obliged to sue, and should recover the amount from one of the parties, that party would have recourse against the others for their proportions, unless they have joined for his accommodation. The order in which the names appear makes no difference in the liability, the position of joint and several makers or joint makers being altogether different from that of indorsers. See the effect of indorsing and the position of indorsers, further over.

The Advantages**of a Joint and****Several Note.**

The above joint and several note, it will be observed, is signed by three makers, namely, Brown, Smith and Leonard; but suppose t. at the note, instead of being signed by three makers on its face, was signed by only one maker, say Brown, and indorsed on the back by Smith and Leonard, then only Brown's liability would be absolute, the two indorsers' liability would be that of guarantors, responsible only in case of dishonor by the maker after due presentment to him for payment and legal notice of dishonor (q.v.) being sent to each of them. While each of the indorsers, after due presentment of the note to the maker for payment and proper notice of dishonor being sent to them, would, along with the maker, be now equally liable to the holder, they would not as between themselves be in the same position as joint or joint and several makers, each obliged to contribute his proportion, but, in contrast, the maker and each prior indorser must indemnify a subsequent indorser if he pays the note.

The advantage to the holder of having a joint and several note with several makers, instead of a note having one maker and one or more indorsers, is, that in case of non-payment at maturity he would not have to trouble himself about notifying any of the parties of dishonor in order to hold them liable. See Accommodation Note, pages 21 and 22, and you will understand better the suggestion made in this paragraph.

A Marksman's Note.

A man who cannot write is known as a marksman, which means that he makes his mark between his Christian name and surname, already written for him. Be careful when obtaining such a note to read it over and explain it to the maker in pre-

sence of the witness who is present to see him make his mark.

Example:

RICHARD ROE	} Witness	his
		JOHN X DOE.
		mark.

When signing any instrument as a witness, take care to write witness over or after your name. In the above example Roe might be taken to be a joint and several maker if he had not taken that precaution.

A Joint Note

reads "we jointly," instead of "we jointly and severally." When suing upon a joint note you have to make all the makers parties to the action. The joint and several is the better form for the holder, because any maker can be sued individually.

The Rights of a Third Party in a Negotiable Note.

No arrangement between the maker and payee of a Negotiable Note can affect the right of a third party to collect, who acquired the instrument in due course, that is to say, in good faith, before maturity, for valuable consideration.

The Rights of an Assignee of a Non-Negotiable Note.

In Transferring by *assignment a Non-Negotiable Note (the form is: "In consideration of \$—, I hereby assign all my right, title and interest in the within Note to....." and the signature of the assignor) the assignor cannot transfer to the assignee more than he himself possesses,—for example, Henry Ellis gave John Wilson a Non-Negotiable Note for \$300. Wilson assigned it to Alex. Thomson. After it was given, and

*See the distinction between a negotiable document and an assignable document at page 12.

before it was assigned, Wilson became indebted to Ellis in the sum of \$100, and this amount Ellis has the right to set off against the Note when the assignee, Thomson, presents it for payment. Had it been a transfer of a negotiable instrument, payable to bearer or order, the maker would have been bound to pay the bona fide third party the full amount, irrespective of the debt which the payee owed him. This example illustrates the difference between a Negotiable and a Non-Negotiable Note.

An Accommodation Note

is one on which a person lends his name as an indorser to enable the maker to borrow money upon it. It flatters some men's vanity to be told that such and such a bank would discount a Note if they would put their name on the back of it, and in a moment of weakness they assume a liability for another which, very often, they can only be freed from by paying. To indorse and borrow money upon a Note that one holds against a debtor is a totally different matter, and is assuming no risk beyond what was incurred when the debt was contracted.

Form of an Accommodation Note.

William E. Brown has obtained John Smith's consent to indorse a note on which he (Brown) purposes to borrow money, or intends to give a creditor who is pressing him for security for a debt. Such a Note is not drawn to the order of the lender or creditor but to that of the indorser, that he may be held as first security after the maker. The payee of a Note must be the first indorser.

\$150.00

Belleville, October 26, 1910.

Three months after date I promise to pay to the order of John Smith, at the Canadian Bank of Commerce, here, the sum of One Hundred and Fifty Dollars, for value received.

WILLIAM E. BROWN.

To be indorsed on back,
JOHN SMITH.

**A Note to be paid
after the death
of the maker.**

The question is often asked whether a Note made payable after death is good. It has all the essentials, being an unconditional promise to pay money at a determinable future time (death is a certain event). The legality of such a note will depend upon the object for which it was given. If it was given for a *bona fide* debt it would be perfectly good; but if it was intended to take the place of a will it would be illegal.

**A Note to be
paid after
marriage.**

A Note made payable after marriage (or after any event that may or may not happen) would not be a good Note, because marriage is not, in a legal sense, a determinable future time (*q.v.*); nor would the happening of the event cure the defect.

When a note has been lost before it is overdue, the person who was holder of it may apply to the maker to give him another one of the same tenor, giving security to the maker, if required, to indemnify him against all persons whatever, in case the note alleged to have been lost shall be found again. If the drawer, on request as aforesaid, refuses to give such duplicate note, he may be compelled to do so, or to pay the amount due. In any action or proceeding upon a Bill, the court or a judge may

order that the loss of the instrument shall not be set up, provided an indemnity be given to the satisfaction of the court or judge against the claims of any other person upon the instrument in question. The existence of and liability of defendant on the lost note has, of course, to be proved by secondary evidence.

Important Judgment as to a Bank's Liability on a Lost Note.

MONTREAL, May 3, '97.

Some interesting questions in connection with banking and usage were decided by Mr. Justice Curran this morning, in the cases of Israel Litman versus the Montreal City and District Savings Bank, and the Montreal City and District Savings Bank, in warranty, against the Bank of Montreal in warranty. Mr. Litman alleged that, in Brooklyn, N.Y., in December, 1893, W. Weneseiner and A. Barash had made their promissory note, undertaking to pay in twelve months and fifteen days, to his order, \$250, at 43 Ewer street, Brooklyn. Mr. Litman indorsed the note and handed it to the City and District Savings Bank here for collection at maturity. The Bank had failed to collect the amount and Mr. Litman asked that it be condemned to return the note or pay the amount. The City and District Bank pleaded that it had received the note and that, in the ordinary course of banking business, it had transmitted the same to the New York office of the Bank of Montreal to have it collected or to have it duly protested for non-payment. The Bank of Montreal had in due course transmitted the note to the First National Bank of Brooklyn, which had had the note protested for non-payment. In transmitting back the note and protest to the Bank of Montreal, the note had been lost in the United States mail. Therefore the City and District Bank pleaded that it could not be held responsible, and offered to give such security as would protect all concerned in the event of the subsequent appearance of the missing note. The City and District Bank also called in the Bank of Montreal, in warranty, to hold it harmless in the event of an adverse decision.

The Court held that, according to the law and usages of banking, the City and District Bank, having received the note for collection, had been justified in sending it to a perfectly solvent and reliable agent such as the Bank of Montreal, for collection in New York, and that

the Bank of Montreal had been authorized and justified in sending the note for collection to the Bank of New York, in New York, also a reliable agent, and that the Bank of New York had been authorized to send the note for collection in Brooklyn, where the debtors had resided, to the First National Bank of Brooklyn, a first-class institution. The Note and protest had been lost, not by any fault of the City and District Bank, but by loss in the United States mail, which it had been justifiable to use, but over which the banks had no control, and if any damage had occurred to Mr. Litman on that account, the banks were not responsible therefor. The Court would declare the City and District Bank's offer of security to Mr. Litman good and valid and sufficient, and would dismiss the action, with costs, as well as the action in warranty.

Discrepancy Where the sum payable is expressed
Between Words in words and also in figures, and there is
and Figures. a discrepancy between the two, the sum denoted by the *words* is the amount payable.

Not A note is not invalid by reason only that it
Invalidated. is ante-dated or post-dated, or that it bears date on a Sunday. That is to say, a Note need not necessarily be dated the day it was made; it may be dated back or dated forward, by the proper party. In dating back or dating forward, the instrument might inadvertently be dated on a Sunday. While such a note would not be void, it is well to keep in mind that a Note actually made on a Sunday, and based on a contract made on a Sunday, would be void.

A Holder in Due Course.

A Holder in due course is a Holder who has taken a Note or Bill, complete and regular on the face of it, under the following conditions, namely:—

(a) That he became the Holder of it before it was overdue, and without notice that it had been previously dishonored, if such was the fact.

(b) That he took the instrument in good faith and for value and that at the time it was negotiated to him he had no notice of any defect in the title of the person who negotiated it.

The title of a person who negotiates an instrument is defective when he obtained the Note or Bill, or the acceptance thereof, by fraud, duress, or force and fear, or other unlawful means, or for an illegal consideration, or when he negotiates it in breach of faith, or under such circumstances as amount to fraud.

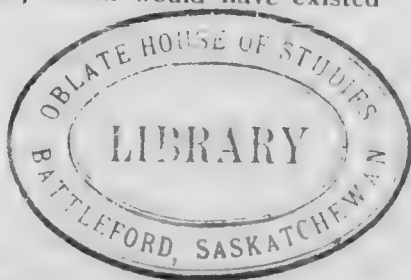
A Holder, whether for value or not, who derives his title to a Bill or Note through a Holder in due course, and who is not himself a party to any fraud or illegality affecting it, has all the rights of that Holder in due course as regards the acceptor and all parties to the Bill or Note prior to that Holder.

Note Given for a Patent Right.

Every Bill or Note, the consideration of which consists, in whole or in part, of the purchase money of a Patent Right, or of a partial interest, limited geographically or otherwise, in a Patent Right, shall have printed or written prominently and legibly across the face thereof, before the same is issued, the words "Given for a Patent Right," and without such words thereon such instrument and any renewal thereof shall be void, except perhaps in the hands of a Holder in due course, without notice of such consideration.

The indorsee or other transferee of any such instrument, having the words aforesaid so printed or written thereon, shall take the same, subject to any defence or set off in any respect of the whole or any part thereof, which would have existed between the original parties.

(C)



Every one who issues, sells or transfers, by indorsement or delivery, any such instrument not having the words "Given for a Patent Right" printed or written in manner aforesaid across the face thereof, knowing the consideration of such instrument to have consisted in whole or in part, of the purchase money of a Patent Right, or of a partial interest, limited geographically or otherwise, in a Patent Right, is guilty of a misdemeanor, and liable to imprisonment or fine.

Altering a Note.

When a Note or Bill is materially altered without the assent of all parties liable, it is voided, except as against a party who has himself made, authorized or assented to the alteration and subsequent indorsers.

Provided, that where a Bill has been materially altered, but the alteration is not apparent, and the Bill is in the hands of a holder in due course, such holder may avail himself of the Bill as if it had not been altered, and may enforce payment of it according to its original tenor.

The following alterations are material, namely, any alteration of the date, the sum payable, the time of payment, the place of payment, and where a Bill or Note has been accepted or made payable generally (that is at no stated place), the addition of a place of payment without the acceptor's or maker's assent.

Boulton v. Langmuir.—A case decided in November, 1897, by the Court of Appeal, holds that: "The changing by the payee of the date of a Demand Note, payable with interest, to a later date, is a material alteration and makes it void, though the effect of the alteration may be to benefit the maker by reducing the amount of interest chargeable against him,"

Judge Osler stating in the course of his judgment that: "To alter the date of the note was to make it appear to be a different contract from that which the defendant had entered into, both as regards the date at which it became an existing contract, and the time from which it bore interest. I do not see that the fact of its being thereby made in one respect more favorable to the defendant affects the question of the materiality of the alteration. It is the change in the contract, not the surrounding circumstances, which the law regards."

Legal Rate of Interest.

The rate of Interest that can be legally collected upon an **OVERDUE** Note, or any **OVERDUE** debt, on which the rate is not fixed by agreement, is now five per cent. per annum. It is important, when drawing a note that is to bear a higher rate than five per cent. per annum, that the words "**AS WELL AFTER AS BEFORE MATURITY UNTIL PAID**" be inserted. If these words, or words to the same effect, are not inserted, the Note would bear Interest at the higher rate till maturity, but after that only at the legal rate. The words "**UNTIL PAID**" are not sufficient. Interest can be collected on an **OVERDUE** Note from maturity, even though not expressly bearing interest. The legal rate of interest charged after maturity is by way of damage for non-fulfilment of contract.

Compound Interest cannot be collected on a Note unless it is specially agreed and expressed. A Note of \$1,000 bearing interest say at 10 per cent. for a year would be worth \$1,100 at maturity, and, of course, that would be the amount to bear Interest.

AN EXTRAORDINARY CASE—EXORBITANT USURY.

AN INTEREST CHARGE OF FIVE PER CENT. PER DAY.

(From the *Toronto Mail and Empire's Montreal Correspondence.*)

Montreal, Que., March 10, 1897—(Special)—In November, 1894, the following extraordinary note was signed in this city:

"Montreal, November 30, 1894. One month and a half from date, for value received at the domicile of Ambroise Lafortane, 98¹/₂ Common Street, I promise to pay to the order of said Ambroise Lafortane the sum of two hundred and fifty dollars; and, moreover, in default of payment at maturity, to pay an interest of five per cent. per day, to be reckoned after the date of the making of the present note on the amount thereof. J. L. Michaud."

The note was made on a regular printed blank used by Lafortane. The note was not paid at maturity, but a hundred dollars was given on account on July 7, 1896, and on February 26 last the holder of the note took an action claiming the balance of \$150, with interest thereon, as stipulated in the contract. Judge Guil rendered judgment in the case this morning. The written judgment points out that the interest as charged represents an annual interest of \$2737.50 on the sum claimed, which since December 20, 1894, to February 26, 1897, date of inscription, has accumulated to \$5,985, to which must be added the \$150, the amount for which the action was taken, making in all \$6,135 for which judgment must go in favor of plaintiff. When rendering judgment, Judge Gill said that he felt it his duty, under the extraordinary circumstances, to make a few remarks. Of course, he was bound by the law, and had to render judgment in favor of the plaintiff, since such transactions are allowed in the land, and parties must abide by the terms of such a contract when they choose to sign it. It was time, however, that the attention of the Legislature should be called to such a state of things. Usury was left unmolested under pretence of inducing foreign capital to come here, but surely some limit should be placed on the rate of interest, and the authorities should interfere in some shape or form.

This case and hundreds of similar ones, of more recent date, excited so much attention that an Act of the Dominion Parliament, 6 Edward VII., Chapter 32, was passed to prevent the swarm of money-lending sharks from securing victims. Prosecutions under the Act have taken place in Montreal, Toronto, and other cities. The following is cited as an example. It is taken from the *Montreal Star* of July 15, 1908.

Important Judgment Against Tolman's Agent by Judge Choquet, Who Says This Business Must be Stamped Out.

Miss Julia Lalonde was to-day declared guilty of usury, decision in her case being rendered by Judge Choquet. Sentence will be given on Wednesday next, and the judge intimated very strongly that he will feel bound to impose a sentence of imprisonment.

This is the outcome of the first prosecution brought in Montreal and tried in Court under the anti-usury act adopted by the Dominion Parliament as a result of the campaign conducted against the usurers by The Montreal Star. While Miss Lalonde is found guilty by the court, however, the real offender is D. H. Tolman, the mysterious patriarch of Bleeding Heart Alley, who exacts his toll from his victims in sixty different cities.

The prosecution was in the hands of Lt.-Col. Hibbard, Crown Prosecutor.

Miss Lalonde was in court accompanied by her counsel, Mr. J. A. Jalbert and Mr. N. K. Laflamme, K.C., who gave notice that they would apply for a reserve case, at the time of the sentence on Wednesday next. The judge intimated that he would be pleased to see the whole question decided by the full bench of the Court of King's Bench.

TRANSACTION REVIEWED.

Judge Choquet, in giving his decision to-day, recalled that Miss Lalonde was charged under an indictment with having, on or about February 1st, 1908, being a money lender, loaned G. Duncan a sum of \$20 at a rate higher than twelve per cent., in contravention of Act 122, Revised Statutes of Canada, which says:—Sec. 3. "Notwithstanding the provisions of chapter 127 of the Revised Statutes, no money lender shall stipulate for, allow or exact on any negotiable instrument, contract or agreement, concerning a loan of money, the principal of which is under \$500, a rate of interest or discount greater than twelve per cent. per annum, and the said rate of interest shall be reduced to five per cent. per annum from the date of judgment in any suit, action or other proceeding for the recovery of the amount due."

Section 9 of the same act says: "Every money lender is guilty of an indictable offence and liable to imprisonment for a term not exceeding one year, or by a penalty not exceeding one thousand dollars who lends money at the rate of interest greater than that authorized by this act."

FACTS ARE QUITE CLEAR.

The facts in the case are perfectly clear, said Judge Choquet. They were established by the complainant Duncan, and they were never denied, he seeing in a newspaper of this city an advertisement, under the heading of "Money to Loan," reading as follows:

MONEY ADVANCED SALARIED
PEOPLE and others upon their own names, without security, easy payments. Offices in 60 principal cities.
TOLMAN, 570 N. Y. Life Building.

The complainant was led by this attractive notice to call at the address given, and there he found Miss Lalonde, who lent him \$22.50. He signed a contract, transferring his wages from July 1st to August 1st, to the extent of \$35. There was no question of loan in this contract, but besides this written contract, there was a verbal agreement, testified to by the complainant, and not denied, that he was to pay \$7 per month, for five months, so that the last month corresponded to the month for which he had transferred his wages. Thus he was to pay \$35 for \$22.50 for five months. Whether this was a bonus or interest, the contract did not say, but one thing is certain that this meant a payment of 140 per cent. for the use of this money.

Duncan paid one month and then refused to pay further, and his employers were served with a notice of the transfer of his wages, and ordered not to pay him any further money until the claim of Tolman was settled. Duncan complained that the law had been violated. There was no doubt whatever that the rate charged for the use of the money was more than twelve per cent., and the law says that money-lenders exceeding this amount are liable to one year or a fine of \$1,000.

IS SHE A MONEY LENDER?

The questions that have to be decided in this case are, first: "Is accused a money lender?" The definition contained in section 2 of the Money Lender's Act, 1906, says: Sec. 2, "The expression 'money-lender' in this act shall include any person who carries on the business of money-lending, or advertises, or announces himself, or holds himself out in any way, as carrying on that business, and who makes a practice of lending money at a rate higher than ten per cent. per annum, but does not comprise registered pawn-brokers."

Two advertisements are produced in the same paper at different dates, one giving the address in the New York Life Building, and the other the new address, 54 Notre Dame street east, in which Tolman offers to advance money on most favorable terms. Duncan, going in reply to such an advertisement, finds himself in an office furnished like a bank, with counter and wickets. True, there was no Tolman present, but Miss Lalonde appeared, handed over the loan asked for, and signed the name of Tolman with a stamp, adding her own name as attorney for Tolman. Duncan had no intention of selling his time. The newspaper advertisements do not constitute absolute proof in themselves, but what followed showed that they were well founded.

THE TRANSFER OF WAGES.

The second question arising is whether the transaction was a loan or a contract for the transfer of wages. The transfer, however, is merely a guarantee for the repayment of the loan. It is illegal to make a loan of \$22.50 for a return of \$35 in five months. An attempt was made to elude the law as much as possible by the pretended sale of earnings. The real contract, however, was the loan; so there is a flagrant violation of the law.

ACCUSED DECLARED GUILTY.

The third question raised is whether Miss Julia Lalonde, being merely an employe, is responsible before the law. The act is declared illegal, and whether she is the principal or not, or whether there is a principal or not in the Tolman business, makes no difference whatever. The moment Miss Lalonde took part in the transaction she became guilty. Each person participating in an illegal act is guilty as a principal before the law, in the first degree. The defendant in this case must therefore be found guilty, and she is found guilty.

MAY GO TO PRISON.

The question of sentence, however, presents more difficulties. The law provides for imprisonment for a year or for a penalty of \$1,000. No provision exists, however, for the collection of the fine to be imposed. As this is a flagrant violation of the Money Lenders' Act, I am afraid it will be necessary to impose a sentence of imprisonment, as I see no means of collecting the fine, and the offence must be punished. I regret this very much under the circumstances, as the young lady before the court belongs to an eminently respectable family, and is a person who deserves respect herself in her private life; but, unfortunately she has engaged in a business which must be stamped out.

RESERVE CASE WANTED.

Mr. N. K. Laflamme, K.C., declared that Mr. Jalbert and himself would ask for a reserve case, to carry the matter before the Court of King's Bench.

Judge Choquet asked upon what grounds their application would be based.

Mr. Laflamme replied that they would rely upon the same grounds as those invoked in a similar case in Winnipeg some weeks ago, when the decision had been favorable to the defendant.

"All the better for your client," replied the judge. "I wish I could liberate her, I would be most happy to do so, but I feel that I must find her guilty. I would have you observe, too, that the act does not provide any method of procedure, in cases of this kind. I have, therefore, proceeded under article 138, which decrees that offences against a statute of Parliament or any Legislature shall be prosecuted under indictment. I have, therefore, granted a speedy trial in this case. I will consider the question of sentence for some days, and will give sentence on Wednesday next. By that time you will be able to produce your application for a reserved case to the Court of King's Bench.

Mr. Laflamme declared that counsel for the defence would move that sentence be suspended until such time as they had time to prosecute the appeal.

Julia Lalonde, who was found guilty a few days ago by Judge Choquet, of lending money at a usurious rate of interest, was condemned yesterday afternoon to pay a fine of five hundred dollars.

Several prosecutions under the Act in Toronto in 1910 resulted in the imprisonment of the offenders who were agents of the notorious Tolman.

Days of Grace.

The custom among merchants has established the practice, which is recognized in law, of allowing three Days of Grace upon all Promissory Notes, Drafts, and Bills of Exchange not payable on demand. No time bill is legally due until the days of grace have expired. In preparing to meet your own paper, or in presenting for payment that of your customers, bear this fact in mind, and be careful when entering the due dates in your Bill Book to add the three Days of Grace. To illustrate: A Note given at three months from October 26th would not fall due till January 29th. A note given at ninety days from October 26th will fall due January 27th. The term month means calendar month, and a Note or Bill drawn payable one month after the 28th, 29th, 30th or 31st of January, is due on the 3rd of March, except in leap years, when one dated January 28th is due on the 2nd of March.

On the first of January, 1895, the State of New York abolished Days of Grace upon Bills and Notes made within that State. Each State legislates for itself in this matter. In Canada the Dominion Parliament alone can legislate on Bills and Notes, thus insuring uniformity throughout all the Provinces in this important matter.

Legal Holidays that Affect Bills of Exchange and Promissory Notes.

In all matters relating to Bills of Exchange, the following and no other days are legal holidays or non-judicial days; a note or bill falling due on any of these days in all the provinces of Canada is not due till the following day:

Sundays.

New Year's Day.

Good Friday.

Easter Monday.

Victoria Day (24th of May).

Dominion Day.

Labor Day (first Monday in September).

Christmas Day.

The birthday (or the day fixed by proclamation for the celebration of the birthday) of the reigning sovereign;

Any day appointed by proclamation for a public holiday, or for a general fast, or a general thanksgiving throughout Canada.

The day next following New Year's Day, Christmas Day, Victoria Day, Dominion Day, and the birthday of the reigning sovereign when such days respectively fall on Sunday.

Power of Attorney.

It is customary for firms to grant to their managing accountants the power to draw Bills, sign Notes, accept Drafts, draw Cheques, and generally transact their financial business. This authority is conveyed and exercised under a document called a Power of Attorney made under seal. It may be special or general—special in confining the exercise of it to a limited number of acts; general by the conveyance of the authority to act for the firm in carrying on its ordinary financial operations. The usual way for a person who is acting under a Power of Attorney to sign business papers is to sign the firm name, and place his own signature underneath, with the words "per pro." or letters "p. p." before it, thus:

JOHN JONES

per pro. Isaac Smith.

The abbreviations stand for the phrase "by procuration." It indicates that a document exists conveying to Isaac Smith the authority to sign for and on behalf of John Jones. This is business practice that universally prevails among business men. Pro. does not stand here for the word for, but it is an abbreviation of the word, English, procuration, or, Latin, *procuracionem*.

A signature by procuration operates as notice that the agent has but a limited authority to sign, and the principal is only bound by such signature if the agent in so signing was acting within the actual limits of his authority. It is advisable to have the Power of Attorney approved by the bank at which the principal does his business.

Where a person signs a Note or Bill as drawer, indorser or acceptor and adds words to his signature, indicating that he signs for or on behalf of a principal, or in a representative character, he is not personally liable thereon; but the mere addition to his signature of words describing him as an agent, or as filling a representative character, does not exempt him from personal liability.

Where persons are under an obligation to sign or indorse Notes or accept Bills in a "representative capacity," they should be careful to do so in such terms as clearly to negate personal liability. In signing or indorsing such Notes or Bills, they should add, "As executors or trustees of estate," and also the words, "without recourse to us personally." Where they neglect to take such precautions, they will be held personally liable.

An Insurance agent has no implied power to accept personally a Note for the premium, and if death or a loss occurs after default has been made in payment of a Note so given, the insurance money could not be collected on the policy.

When a Note Becomes Outlawed.

Statute of Limitations. In the Province of Ontario a Bill or Note becomes outlawed six years after the date of maturity, or after the date of the last payment on account, or after the last written acknowledgment.

It is barred by the Statute of Limitations. That is, the holder of such a Note cannot recover upon it if the maker, on being sued, successfully sets up in defence the Statute of Limitations. which was passed in the twenty-first year of the reign of King James I., to limit the time allowed to parties to commence their suits, so as to shorten litigation. In all civilized countries some period is prescribed by statute with this view. An instrument approaching the legal, though not the moral, end of its existence may be brought back to infancy and have its life renewed by the holder obtaining, say in answer to a letter, an acknowledgment in writing of the debt from the maker of the Note.

Each Province controls its own period for limiting the bringing of actions; for example, in the Province of Quebec by article 2260 of the Civil Code, a promissory note becomes outlawed at the expiration of **five** years from its maturity, but the general law regarding Bills and Notes is the same all over Canada.

When a party liable on a note is out of the Province the six years does not commence to run until after his return.

*Indorsements.

The act of writing the name upon the back of an instrument is called indorsing, which has two effects; it makes the indorser responsible for payment in the event of the maker

*"Backing a Note" is a colloquial term often used to express the act of indorsing.

failing to pay at maturity (provided that due and legal notice of non-payment be given to the indorser, as explained beginning at page 34), and it makes an instrument that is payable to order, transferable. The forms of indorsement commonly in use are (taking a note payable to the order of John Jones as an example): -

**Indorsement in Blank, Specifying no Indorsee, as
JOHN JONES,**

which has the effect just described. When a Note or Bill has been indorsed in blank, any holder may convert the blank indorsement into a special indorsement by writing above the indorser's signature a direction to pay the Note or Bill to, or to the order of, himself or some other person.

**Indorsement in full or Special Indorsement, Specifying the
Indorsee to Whose Order it is to be Payable, as**

Pay to the order of Wm. Black,
JOHN JONES,

which makes the indorser responsible (if legally notified of dishonor), and the instrument negotiable only after it has been indorsed by the Indorsee, William Black.

Qualified Indorsement.

Without Recourse to me,
JOHN JONES,

which relieves the indorser of responsibility, and simply makes the instrument transferable.

Restrictive Indorsement.

Pay to Richard Brown only,
JOHN JONES,

which makes the indorser responsible (if legally notified of dishonor), but confines the payment to the indorsee. The instrument has thereby ceased to be negotiable, but is *assignable, just like a book debt.

Other forms of qualifying indorsement are used, such as that placed on Cheques payable to order sent by a clerk to the bank to be deposited on the firm's credit.

For deposit only,
JOHN BEATTY & CO.

The qualifying words render it impossible for the person making the deposit to draw the money. See also "Crossed Cheques."

Indorsements are often made to serve as receipts, as, for example, I draw a Cheque payable to S. B. Jones, or order, instead of to S. B. Jones, or bearer, because, if drawn to order Jones must sign his name on the back before he can receive payment. On paying and receiving back a Note payable to order that has not been transferred, and consequently not indorsed, you should have the payee indicate that he had held it, or you could prove nothing by it. Have him indorse it and immediately cancel the indorsation. Notes that have been retired should be cancelled and filed away like receipts.

The Order of Indorser's Liability.

The holder of a Note upon which there is an indorser or several indorsers has equal recourse against any of them (provided they have been duly notified of non-payment (*q.v.*) and the maker at maturity. If the holder should be obliged to sue, and should he recover from the maker, that would discharge all

*See the distinction between a negotiable document and an assignable document at page 12.

the indorsers; should the holder recover from the *first indorser, that indorser would have recourse against the maker, but not against subsequent indorsers; should the holder recover from the second indorser, that indorser would have recourse against all that preceded him, namely, the first indorser and the maker. If you should have to become an indorser on a Note along with other indorsers, you will see the importance of placing your name last. All the parties to a Note are liable to the holder, the maker absolutely, the indorsers if they have been legally notified of dishonor (*q.v.*) but among themselves the order of the liability is, first the maker, then each indorser in his turn.

Allonge.

An allonge is a slip of paper attached to a Bill of Exchange for receiving indorsements when the back of the Bill itself is already full. It is a French usage.

Guarantee.

You may guarantee the payment of a Note as follows: "I hereby guarantee the payment of the within Note," and sign your name. Your liability is beyond that of an indorser, and you would not be relieved for want of presentation, nor for want of notice of dishonor. It is not required that a consideration be expressed by the guarantor; it is implied.

Where to Present a Note for Payment.

1. Where a Promissory Note is in the body of it made payable at a particular place, *it must be presented for payment at that place.* But the maker is not discharged by the omission to present the Note for payment on the day that it matures.

*The "first indorser" means the first name on the back; the "second indorser" means the second name on the back, etc. The indorsers sign their names underneath each other.

If no place of payment is specified in the body of the Note, presentment for payment is not necessary in order to render the maker liable.

<p>A Note must be Presented for Payment in order to hold indorsers liable.</p>	<p><i>2. Presentment for payment is necessary in order to render the indorser of a Note liable, unless he waives such presentation.</i></p>
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3. Where a Note is in the body of it made payable at a particular place, presentment *at that place* is necessary in order to render an indorser liable; but when a place of payment is indicated by way of memorandum only, presentment at that place is sufficient to render the indorser liable, but a presentment to the maker elsewhere, if sufficient in other respects, shall also suffice.

Who May Recover, and What.

Where a Note is dishonored the holder may recover from any party liable on it: (1) The amount of the bill; (2) interest thereon from the time of presentment for payment of the bill, if payable on demand, and from the maturity of the bill in other cases; (3) the expense of the noting and protest.

The Proceedings to be Taken on the Non-Payment of a Note Having an Indorser.

It is of the first importance to understand what is to be done in the event of a Note, having an indorser, being dishonored at maturity. *The maker's Liability is absolute, but the indorser's is conditional on his receiving notice of non-payment.** A Note that may be regarded as perfectly good be-

*See the exception to this under the head of "Waiving Protest," at page 41.

fore maturity, not because the maker is reliable but because the indorser upon it is financially sound, may, after it has become due, be practically worthless, if the proper steps to hold the indorser have not been taken. Having presented it at maturity at the place named by the maker for its payment, and payment being refused, the holder is bound to notify each of the indorsers immediately, in order to have recourse against them. This will be best accomplished by handing the instrument to a Notary Public to be protested. The notary will make a demand for the payment, and, being answered "No Funds," or "Not sufficient Funds," will write out a protest, (*q.v.*) inserting in it the answer to his demand; and he will, not later than the following juridical or business day, mail a notice of protest (*q.v.*) to the known address of the indorser or indorsers, from the nearest post office to the place at which the Note was payable.

The protest will cost the holder, in the Province of Ontario, fifty cents, and each notice twenty-five cents and the postage, which charges he will be entitled to collect from any of the parties to the Note, as well as legal interest (5 per cent.) from the date of maturity. The production of the protest with the Note in court will be sufficient *prima facie* evidence upon which to sue an indorser.

In this Province notaries are appointed for life by the Ontario Government without special examinations. They are usually attorneys, however. In the Province of Quebec, the notarial is a distinct profession, as it is in France. The forms used by notaries for protesting bills and notes, and giving notice of protest, will be found at the end of the Bills of Exchange Act, first schedule, forms A. to I.

When a dishonored Note or Bill is authorized or required to be protested, and the services of a notary cannot be obtained at or near the place where the Bill is dishonored, any justice of the peace resident in the place may present and protest such Note or Bill, and give all necessary notices, and shall have the necessary powers of a notary in respect thereto. Form J. of the Act is used by a justice of the peace.

Waiving Protest.

By Waiving Protest (*i.e.*, not to insist on, to forego) an indorser renders it unnecessary for the holder to have an instrument protested. He acknowledges his liability to pay without the usual notice of dishonor on the failure of the promisor to pay the instrument at maturity. Waiving Protest is usually done, if before maturity, by the indorser writing the words on the back:

"Presentation and Protest Waived."

JOHN JONES.

If at maturity:

"I hereby accept notice of non-payment and waive protest."

JOHN JONES.

Protest may be waived by letter or telegram should the indorser be absent from the place of payment at the date of maturity.

There is no necessity to protest a dishonored Note upon which there is no indorser; the maker can be held for six years after maturity. Nor is there any necessity to protest a Draft or acceptance if the drawer is both the drawer and payee.

(D)

Noting.

The practice in regard to "noting" usually amounts to the notary presenting the bill for payment on the day of maturity, and taking no further steps until the close of business the following day, by which time the note may be paid. If notice of dishonor is not given within the proper time the noting is of no effect. The only case in which evidence of the noting is needed is one where the presentment is made by one notary, and the protest has for any reason to be completed by another. Form A in the schedule of the Act would be useful in such a case, but any memorandum showing that the bill had been presented at the place of payment on the day it matured, and the answer received, would be sufficient. There is a form for noting and giving notice of it. It is form A in the first Schedule of the Bills of Exchange Act, 1890.

Acquiring an Overdue Note.

Where a person takes a note which is past due, he takes it only subject to all the equities or defences which the maker could set up against any holder of the note. Section 36 of the Bills of Exchange Act says:—"Where an overdue note is negotiated, it can be negotiated only subject to any defect of title affecting it at its maturity. Any person who takes it after maturity cannot acquire or give a better title than the person had from whom he took it."

Paying and Making Partial Payments upon Notes.

When you pay a Note or renew one, be sure that you get it back, and, if it has not been done already, cancel it by writing "cancelled" or "paid" across the face, and run a pen through the maker's and indorser's names and thus render it valueless. If the payee should still be the holder, he should, before returning it, indorse it, or place some written evidence

upon it that he had been in possession of it, otherwise you could prove nothing by it. Put cancelled Notes away in packages as you should receipts, for production at any time when necessary.

The importance of receiving back notes that have been paid was made very apparent to me by a circumstance that came under my observation recently. A man borrowed a sum of money upon two Notes from a lender, and he, in turn, discounted them at a bank. At the date of maturity the maker duly appeared and tendered payment to the man from whom he borrowed, who accepted it and gave a receipt. His excuse for not producing and returning the Notes was that they were in the bank, and it was inconvenient to go for them, but he promised to send them at an early day. In less than a week he "skipped out" without returning the Notes, and of course the maker had to pay the amount to the bank, as well as the notarial charges incurred in protesting them. Retail dealers, who have to ask for renewals from wholesale houses, are often careless about receiving back their old Notes. It is not difficult to recall cases in which such paper has turned up in banks after the failure of a wholesale concern, and the easy going dealer had to pay it.

When making a partial payment upon a Note it is well to take a receipt, but that is not sufficient, see that the payment is properly acknowledged by indorsement on the back of the instrument.

Example: Received, August 28th, 1910, the sum of fifty dollars, on the within note. Signature is neither necessary nor desirable, but it would be well to initial the acknowledgment.

If this was not done and the note was transferred *before maturity* the transferee could enforce payment of the full amount; the maker would have a claim or set off against the party to whom he gave the note and made the payments.

Merger.

Merger is the absorbing of one contract in another; a minor one in a greater one. For example, if you should obtain a bond or mortgage as additional security for a note you hold, the note would be absorbed or merged into the specialty contract, and your rights would be those attaching to the specialty contract (*q.v.*), and not merely those of the simple contract.

THE BOOKKEEPING IN CONNECTION WITH NOTES.

Any written obligation to pay money not under seal is termed in business by the holder, a Bill Receivable, and by the maker or acceptor, a Bill Payable.* In Bookkeeping the accounts in the ledger with these are called, respectively, Bills Receivable account and Bills Payable account. Bills Receivable account is made Dr. when other people's Notes and Acceptances are received, and Credited when they are disposed of. The difference, or balance, between the two sides should correspond with the Notes on hand, and the account closes, by balance, unless all the Notes have been disposed of, when, of course, it will be simply ruled and footed.

*No business man should omit to keep a Bill Book in addition to the Ledger Accounts with Bills Receivable and Bills Payable.

Bills Payable account is credited when you issue a Note or accept a Draft, and debited when you redeem or, as the word is, retire these obligations. The difference between the two sides should correspond with the obligations outstanding, and the account closes, to balance, unless all the Notes have been paid, when, like **Bills Receivable** account under like circumstances, it will be ruled and footed. As explained at page 47, interest must not be put in either **Bills Receivable** or **Bills Payable** accounts. The mere novice in bookkeeping will understand and be able to deal with these accounts when, in the case of **Bills Receivable**, they are simply received and disposed of, and, in the case of **Bills Payable**, when they are simply issued and redeemed. But in the event of

Notes having to be Renewed,

more difficulty will be experienced. I shall take an example or two. A note of \$300 received from F. Spencer was duly debited to **Bills Receivable**, and his account was credited. It stood at the debit of **Bills Receivable** until I disposed of it by discounting it at the Bank of Commerce, when I made the bank debtor for the proceeds, discount debtor for the difference between the proceeds and the face of the Note, and credited **Bills Receivable** account with the whole amount. My customer asks for a renewal of the Note, and I consent.

The renewal is for three months, and the interest is to be added to the new Note, making it \$305.20. I pay the old Note by cheque, send it back to Spencer, and get the new one. Entries for the Cheque given to pay the Note:

*Bills Receivable	\$300 00
To Bank	\$300 00

*If you have an **Overdue Bills Receivable** account it would be used here.

This entry places the Note where it was before it was discounted, and is the same that would be made by an indorser, under any circumstances, paying a Note for a maker, except when the maker was considered financially worthless, when it would be charged to Loss and Gain.

Entries for the Renewal.

Bills Receivable, Dr.	\$305 20
To Bills Receivable	\$300 00
" Interest	5 20

The maker's entry for the same transaction would be:

Bills Payable, Dr.	\$300 00
Interest "	5 20
To Bills Payable	\$305 20

Partial Renewals.

Brown renews for you half the amount of a Note for \$500 due to-day. You pay \$250 by Cheque, and give a new Note for half the amount of the old one and interest on renewal, \$3.50.

1. Your entry:

Bills Payable Dr.	\$500 00
Interest "	3 50
To Bank	\$250 00
" Bills Payable ..	253 50

2. His entry:

Bills Rec'v'ble Dr.	\$253 50
Cash "	250 00
To Bills Receivable	\$500 00
" Interest	3 50

3. Your entry:

Bills Payable Dr.	\$600 00
Interest "	3 00
To Bank	\$303 00
" Bills Payable ..	300 00

4. His entry:

Bills Rec'v'ble Dr.	\$300 00
Cash "	303 00
To Bills Receivable	\$600 00
" Interest	3 00

Brown renews for you half the amount of a note for \$600 due to-day. You pay \$303 by Cheque, being half the amount, plus the interest on renewal, and you give a new Note for half the amount of the old one.

Where a Cash Book is kept, of course the cash would have to be put through it. In that case the entries for No. 1 would be as follows:—

<i>Dr.</i>	CASH	CASH	<i>Cr.</i>
To Bank, for Cheque	No.—....\$250 00	By Bills Payable. For	
		part payment on No.	
		92, renewed as per	
		Journal and Bill Book	
			\$250 00

JOURNAL.

Bills Payable, Dr. \$250 00
 Interest " 3 50
 To Bills Payable ..\$253 50

Important Points in Connection with the Bills Receivable and Bills Payable Accounts.

You will find analyses of the above accounts at pages 44 and 45. I wish to emphasize here, and draw the student's special attention to the point, that when you retire your Notes and Acceptances, you should never charge Bills Payable Account with more or less than the face of the instrument (the amount credited when issued); and that when a Note or Acceptance against some one else is disposed of, Bills Receivable account should never be credited with more or less than the face of the instrument (the amount debited when received).

Examples.

You pay your Note, face \$500 and interest \$5.00.

ENTRIES.
 Bills Payable Dr..\$500 00
 Interest " .. 5 00
 To Cash \$505 00

You pay a Note, face \$600, before maturity, and get a discount of \$10 off.

Bills Payable Dr.. 600 00
 To Cash 590 00
 " Discount ... 10 00

You receive payment of a Note, face \$300 and interest \$4.

Cash Dr.. 304 00
 To Bills Rec'v'ble 300 00
 " Interest 4 00

You receive less than the face of a Note when disposing of it or discounting it, face \$700, discount \$10.

Cash Dr.. 690 00
 Discount " .. 10 00
 To Bills Rec'v'ble 700 00

If you carefully observe these instructions, you will find that the difference between the sides of Bills Payable account will always agree with the Notes outstanding; and the difference between the sides of Bills Receivable account will always agree with the Notes on hand. When issuing a Note (or acceptance) bearing interest, the entry is just the same as if it were not bearing interest, because the interest is a liability of the future, not yet matured.

The Authorized Method of Working Discount on Notes and Bills.

The question of discount has been, and still is, a source of trouble and uncertainty in examinations. I wish to point out to teachers and pupils an absolutely safe guide in working questions in that subject.

Discount is not an abstract question, nor a theory; it is a matter of common, every day practice with bankers and business men. We have simply to ascertain their custom and we have the authorized method. The common law in regard to *any* business matter is the custom among merchants and bankers, which is known as the "Law Merchant" (*Lex Mercatoria*). Long before there was any statute law respecting Promissory Notes and Bills of Exchange, there was the common law, based upon the "Law Merchant." The practice of the banks in working questions in discount may be regarded as the common law with respect to that matter.

That practice is illustrated in the following examples: I am discounting a Note of \$500 (borrowing money, with the Note as security) at a bank at the rate of 7 per cent. per annum. The note is made at three months from January 5th, and I discount it on that date. As there are three Days of Grace on all Promissory Notes and Bills of Exchange, not payable on demand, throughout Canada, this Note will fall due legally on April 8th. The number of days between January 5th and

April 8th is 93. The discount on the Note, that is to say, the amount that will be deducted from its face for the loan of the money at the time I borrow it, is the simple interest on \$560 for 93 days at the rate of 7 per cent. per annum. The interest on \$560 for a year at 7 per cent. is \$39.20; the interest for 93 days is $\frac{93}{365}$ of \$39.20 = \$9.98.

Again, I am discounting a Note of \$620, made at three months, from June 15th, on the 5th of July at the rate of $6\frac{1}{2}$ per cent. per annum. The Note will mature on September 18th; the time that it has yet to run (from July 5th to Sept. 18th) is 75 days. The interest on \$620 for a year at $6\frac{1}{2}$ per cent. is \$40.30; the interest for 75 days is $\frac{75}{365}$ of \$40.30 = \$8.28.

It will be observed that, in discounting, the first thing to do is to ascertain how many days the instrument has to run *from the date of discounting to the date of maturity*. Then find the interest on the face of the Note for a year, and then for the fraction of a year, the denominator always being 365.

The trouble with candidates for examination has perhaps arisen from not clearly understanding the custom of our banks. They are apt to find the time in months and parts of a month, and calculate the discount for so many twelfths of a year, whereas the banks invariably find the exact number of days from the date of discounting to the maturity of the Note, and always allow 365 days to the year, never 360.

The journal entry for example 1, leaving the proceeds to credit in bank, if a customer's Note, is,

Bank	Dr.	\$550 02
Discount	"	9 98
To Bills Rec.....		\$560 00

If it was your own Note, the account to be credited would be Bills Payable.

Instead of journalizing you might put the entries through the Cash Book as follows:

<i>Dr.</i>	CASH.	CASH	<i>Cr.</i>
	To Bills Rec. Dis. B. R. No. 690 \$560 00	By Bank, Proceeds of B. R. No. 690 dis. \$550 02 By Discount, on above 9 98	

If it was your own Note, the account to be credited would be Bills Payable.

Discounting Notes Bearing Interest.

The subject of discounting has been illustrated by two Notes not bearing interest. I now deal with the discounting of Notes bearing interest, by two examples—one a Note payable at the place at which the discount was obtained, the other having to be sent away for collection at a cost for exchange (bank commission) of $\frac{1}{4}$ of 1 per cent.:

1. I hold a Note for \$760 against Fobert Jones, drawn at ninety days from January 5th, 1910, bearing interest at the rate of 8 per cent. per annum, and discounted it on the 18th of January at 7 per cent. The first step is to ascertain how much the Note will be worth at maturity, that is to say, what sum the holder will be entitled to receive from the maker when it falls due, because that is the amount to be discounted. The interest for a year on \$760 at 8 per cent. is \$60.80; the interest for ninety-three days (the term of the Note) is $\frac{93}{365}$ of \$60.80 \$15.49; \$760 (face of Note) + \$15.49 (interest on Note) =

\$775.49, worth of Note at maturity. The next step is to ascertain the number of days the Note has to run from the date of discounting to the date of maturity. It will be due on April 8th, and was discounted on January 18th. The number of days between January 18th and April 8th is eighty. Now find the discount on \$775.49 for eighty days, *i.e.*, the amount that will be deducted from \$775.49 for the loan of the money at the time I borrow it, which is the simple interest (bank discount and simple interest being the same) on \$775.49 for eighty days at the rate of 7 per cent. per annum. The interest on \$775.49 for a year at 7 per cent. is \$54.28; the interest for eighty days is $\frac{80}{365}$ of \$54.28 = \$11.90. The net proceeds of the Note to me is \$763.59.

2. I hold a Note against Richard Rowe drawn at three months from June 5th, 1910, for \$560, bearing interest at the rate of 7 per cent. per annum, and discount it on July 2nd at the rate of 6 per cent. As it is payable in another city, the bank charges me in addition to the discount, $\frac{1}{4}$ of 1 per cent. for collection. The interest for a year on \$560 at 7 per cent. is \$39.20; the interest for ninety-five days (the term of the Note) is $\frac{95}{365}$ of \$39.20 = \$10.20; \$560 (face of Note) + \$10.20 (interest on Note) = \$570.20, worth of Note at maturity. It will be due on September 8th; and was discounted on July 2nd. The number of days between July 2nd and September 8th is sixty eight. The interest on \$570.20 for a year at 6 per cent. is \$34.21; the interest for sixty-eight days is $\frac{68}{365}$ of \$34.21 = \$6.37, and $\frac{1}{4}$ of 1 per cent. for collecting \$570.20 = \$1.43; \$1.43 + \$6.37 = \$7.80, the total cost of discounting and collecting. The net proceeds of the Note to me is \$562.40.

It will be observed in the first example that the Note is drawn at ninety days, and has, therefore, ninety-three days to run, including Days of Grace; and in the second example, that

the Note is drawn at three months, which makes it necessary to count the actual number of days between the date of the Note, June 5th, and the time of maturity, September 8th, which is ninety-five.

The journal entry for example 1, leaving proceeds to credit in bank, is

Bank Dr.\$763 59
 Discount " 11 90
 To Bills Receivable....\$760 00
 " Interest 15 49

or

Bank Dr.\$763 59
 To Bills Receivable....\$760 00
 " Interest 3 59

If the entries are made in the Cash Book instead of the Journal they would be as follows:—

Dr.	CASH.		CASH.	Cr.
	To Bills Rec., Dis. B. R. No. 320	\$760 00.	By Bank, Proceeds B. R. No. 320 dis.	\$763 59
	" Interest, on above to maturity	15 49	" Discount, on above	11 90

You may omit the entry for discount, \$11.90, on the credit side, and reduce the entry for interest on the debit side to \$3.59.

The Journal entry for example 2 is,

Bank Dr.\$562 40
 Discount and Exchange .. 7 80
 To Bills Receivable\$560 00
 " Interest 10 20

or

Bank Dr.\$562 40
 To Bills Receivable\$560 00
 " Interest 2 40

The entries in the Cash Book would be similar to those for example 1.

Days of Grace on Notes and Bills.

I have been surprised to find how far astray is the prevailing opinion among school teachers regarding Days of Grace on Notes and Bills. Fortunately for Canada, the British North America Act, in distributing Legislative powers, assigned to the Dominion Parliament the subject of Bills of Exchange and Promissory Notes, and hence we have uniformity in the law with respect to these instruments throughout the whole Dominion. The Act now in force is known as the "Bills of Exchange Act, 53 V., C 33."

Let it be known by teachers, and by them definitely taught to their pupils, that on all Promissory Notes and Drafts, except those payable on demand, there are three Days of Grace in Canada, and hence such instruments are not legally due until the Days of Grace have expired. I quote from Section 42 of the Act:

"Where a Bill (or Note) is not payable on demand, three days, called Days of Grace, are, in every case, where the Bill itself does not otherwise provide, added to the time of payment as fixed by the Bill, and the Bill is due and payable on the last day of Grace: Provided that whenever the last Day of Grace falls on a legal holiday or *non-juridical day in the province where any such Bill is payable, then the day next following, not being a legal holiday or non-juridical day in such province, shall be the last Day of Grace."

Teaching at variance with the law will occasion loss and trouble. For example: A holds a Note against B on which C

*A day when the courts do not sit.

is indorser, made at six months from January 5th, 1910. A, being in ignorance respecting Days of Grace, presents the Note at the place of payment on July 5th and is told there are no funds to meet it. He gets the Note protested and notice of dishonor sent to the indorser on that day, and supposes he has taken the proper steps to have recourse against him. What he did on the 5th of July is futile, as the Note was not legally due till the 8th, and if somebody does not tell him of his error in time to enable him to present the Note for payment on the 8th, and, in case of dishonor, to have it protested and notice of dishonor sent to the indorser not later than the following business day, he will be without remedy against him.

I have found the idea prevailing that a Note discounted at a bank would have three Days of Grace, while a Note held by an individual or firm would have no Days of Grace. I have even heard the first called a "Bank Note," indicating that the speaker regarded it as something different from a note held by an individual or firm. There is no such distinction, nor is the term "Bank Note" applicable to a note under discount at a bank. Bank Notes are the bills issued by the banks, by authority of Parliament, to the limit of their paid-up capital, which serve the people as money or a medium of exchange.

I may add that in the United States each State legislates for itself on the matter of Bills and Notes, and the lack of uniformity in consequence is seriously felt by business men. The State of New York abolished Days of Grace on the 1st of January, 1895.

***Lien Notes.**

Lien Notes are now frequently given by people purchasing agricultural implements, pianos, organs, sewing machines,

*Attention is drawn to the fact that Lien Notes are dealt with under Provincial Legislation, as they refer to chattels.

Read over the following form carefully. You will observe that the article upon which the Lien (claim) Note has been given remains the property of the seller, until the whole of the purchase money has been paid. Consequently, when buying a second-hand instrument, such as those mentioned above, one should carefully enquire whether there is a Lien Note upon it.

KIND OF MACHINE.

Number of Machine

Agent

\$..... BELLEVILLE.....19....

On the first day of 19 .., I promise to pay THE G. & J. BROWN MAN'FG Co., Limited, or order at their office in Belleville, for value received.....Dollars, with interest at Seven per cent. per annum, and at the rate of Ten per cent. per annum after date of maturity. I further agree to furnish security satisfactory to you at any time if required. If I fail to furnish such security when demanded, or should I sell or otherwise dispose of the land or personal property I am now possessed of, then this Note is to become due and payable forthwith; and you may retake possession of the article for which this Note is given without process of law, and sell it by public or private sale, but the taking and selling of said article shall not relieve me of my liability for any balance of the purchase price still unpaid after such sale. The title and right to the possession of the property for which this Note is given, named in margin, shall remain vested in THE G. & J. BROWN MAN'FG. Co. Limited, until this Note or any obligation given therefor is paid.

I hereby acknowledge having this day received a copy of this Note.

Lot.....Con.....Township.....

P. O. Address.....

Witness.....

The Revised Statutes of Ontario, 1897, chapter 149, provides that such an instrument as the above is valid as against subsequent purchasers of the article for which it was given, if,

at the time possession was given to the bailee, it had the name and address of the manufacturer, bailor or vendor of same painted, printed, stamped or engraved thereon, or otherwise plainly attached thereto.

Any proposed purchaser of the article can demand and is entitled to receive within five days from the manufacturer, bailor or vendor, claiming ownership, full information respecting the amount due and the terms of payment; and if he refuses to give such information, he will be liable to a fine of \$50. The inquiry may be made by letter, giving the name and address to which a reply may be sent, and it will be sufficient if the reply giving the information be made by registered letter within five days.

If possession be taken of the article for breach of condition it may be redeemed within twenty days, by full payment of the amount due and the cost of taking possession. If the goods taken were sold or bailed originally for a greater sum than \$30, they shall not be sold, when seized for breach of condition, without five days' notice to the bailee or his successor in interest, by personal service of notice, or leaving it at his residence or last known place of abode in Ontario, or sent by registered letter seven days before the time when the said five days will elapse, addressed to the last known post-office address in Canada of the bailee or his successor in interest.

A copy of the receipt note must be left with the bailee at the time of the execution of the instrument, or within twenty days thereafter.

The manufacturer, bailor or vendor, may file a copy of the instrument with the Clerk of the County Court of the county in which the bailee resided at the time of the conditional pur-

chase within ten days from its execution, and thereby relieve himself from some of the provisions of the Act.—See *Revised Statutes of Ontario 1897, Chap. 149. But see also Amendments thereto, 3 Edward VII., Chap. 13.*

A Lien Note is According to a recent decision given in
not an ordinary Ontario, a Lien Note is not an ordinary
Promissory Note. Promissory Note, and consequently it is
 non-negotiable. The lien condition takes it
 out of that category. It can be transferred by assignment,
 like an ordinary contract, and would be subject to any offsets
 and legal defences that existed between the original parties.

AN I. O. U.

Is a memorandum of a debt given by a borrower to a lender,
 as, for example:—

Montreal, April 28th, 1911.

Mr. A. B., I.O.U. Ten Dollars.

C. D.

It is not a Promissory Note, but is valuable evidence of
 the existence of the debt.

DRAFTS, OR INLAND BILLS OF EXCHANGE.

Definition.

A Bill of Exchange is an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand or at a fixed or determinable future time, a sum certain in money to or to the order of, a specified person, or to bearer.

It is usually drawn to order, and is therefore negotiable by indorsement.

(E)

An Inland Bill is a Bill which is, or on the face of it purports to be (a) both drawn and payable within Canada, or (b) drawn within Canada upon some person resident therein. Any other Bill is a foreign Bill.

Nearly all that has been said of Notes is applicable to drafts; they differ, however, in form and in other respects. A note is a *promise* to pay, originating with the debtor; a draft is an *order* to pay originating with the creditor, and addressed by him to the debtor. There are three parties to a draft—the *drawer*, the one that draws it; the *payee*, the one in whose favor it is drawn; the *drawee*, the one on whom it is drawn, who becomes the acceptor. With respect to liability, the acceptor of a draft stands in the same position as the maker of a note, and the drawer of a draft stands in the same position as the first indorser of a note. To hold the Drawer for a dishonored Bill, notice of dishonor must be sent to the Drawer not later than the next following business day. This will be best accomplished by handing it to a Notary Public to be protested. Any drawer or indorser to whom such notice is not given is discharged.

The Theory of Exchange.

In commerce, an "Exchange" means to pay your creditor by transferring to him a debt owing to you by some one else.

The following example will illustrate both the theory and practice of exchange. You will observe that three parties and two debts are necessary to an exchange;

Robinson & Johnson, Belleville, are indebted to John Lovell & Son, Montreal, who desire that they shall pay at ten days' sight the amount to R. Miller, Son & Co., to whom John Lovell & Son are indebted, and to effect this John Lovell & Son draw the following:

Draft.

\$500.00.

Montreal, January 8th, 1911.

Ten days after sight pay to the order of *R. Miller, Son & Co., the sum of Five Hundred Dollars, for value received, and charge the same to the account of

JOHN LOVELL & SON.

To †Robinson & Johnson,
Belleville, Ontario.

*Payee. †Drawer. ‡Drawee.

To make the Draft binding upon Robinson & Johnson they will have to accept it,* which they will do by writing across the face:

*Accepted, January 10, 1911, payable at the
Canadian Bank of Commerce, Belleville.*

Robinson & Johnson.

After which it is called an acceptance. Robinson & Johnson are now in the same position as if they had made a Promissory Note, and John Lovell & Son are in the same position as the first indorser on a Note. It is customary to allow the Drawee to choose the place of payment; in this case Robinson & Johnson name the Bank of Commerce, Belleville. If the Draft were drawn at ten days' date instead of ten days' sight, there would be no necessity to place the date of acceptance upon it. In the former case the maturity would be reckoned from the day the Draft was drawn, in the latter it is reckoned from sight, i.e., the day it was presented to the drawee and accepted by him.

The drawer of a Draft may be both drawer and payee. If John Lovell & Son desired to collect for themselves the amount

*See Definition and Requisites of Acceptance, page 62.

of Robinson & Johnson's debt, they would draw the draft to their own order.

The Journal entries of the parties to the foregoing Draft would be as follows:

John Lovell & Son's would be	}	R. Miller, Son & Co., Dr. To Robinson & Johnson,
R. Miller, Son & Co.'s would be	}	Bills Receivable Dr. To John Lovell & Son.
Robinson & Johnson's would be	}	John Lovell & Son Dr. To Bills Payable.

Further Illustration of "Exchange."

Here is a further illustration of "Exchange," given by McLeod, one that any person will readily understand:

You are travelling in an omnibus. The fare is twenty-five cents. The smallest change you have is fifty cents, which you hand to the conductor. Another passenger is desirous of paying his fare, and has twenty-five cents in his hand ready to hand over. The conductor tells him to pay it to you, which he does, by this means the conductor's debt to you is paid by the transfer to you of the other passenger's debt to him, and thus considerable trouble is saved.

The principle of Exchange here is precisely the same as that involved in the Draft, for, as you will see if you study the matter, John Lovell & Son are in the same position as the conductor of the omnibus, and pay their debt to R. Miller, Son & Co. by transferring to that firm the debt owing to them by Robinson & Johnson, just as the conductor paid his debt to you by causing the other passenger to pay you the sum he owed the conductor.

The Acceptor's Liability.

The Acceptor of a Bill, by accepting it—

Engages that he will pay it according to the tenor of his acceptance. His position is the same as that of the maker of a Note; he is the primary debtor.

The Drawer's Liability.

The Drawer of a Bill, by drawing it —

Engages that on due presentment it shall be accepted and paid according to its tenor, and that if it is dishonored he will compensate the holder or any indorser who is compelled to pay it, provided that the requisite proceedings on dishonor are duly taken.* His liability is the same as that of the first indorser on a note.

The Indorser's Liability.

The indorser of a Bill, by indorsing it—

Engages that on due presentment it shall be accepted and paid according to its tenor, and that if it is dishonored he will compensate the holder or a subsequent indorser who is compelled to pay it, provided that the requisite proceedings on dishonor are duly taken.*

Where a Bill is Dishonored, Who May Recover and What.

In case of Dishonor the holder may recover from any party liable on the Bill, and the drawer who has been compelled to pay the Bill may recover from the acceptor, and an indorser who has been compelled to pay the Bill may recover from the acceptor or from the drawer, or from a prior indorser;

- (1) The amount of the Bill;

*See pages 39 and 40 for the proceedings to be taken on dishonor of a Note or Bill in order to hold the indorsers on a note and the drawer and indorsers on a bill liable.

(2) Interest thereon at the rate of 5 per cent. per annum from the time of presentment for payment, if the Bill is payable on demand, and from the maturity of the Bill in any other case ;

(3) The expenses of noting and protest.

Compound interest cannot be charged on an overdue note or bill.

Drafts sent for acceptance or collection through a bank will be protested if dishonored, unless instructions to the contrary have been given, or a slip be pinned to the Draft with the words printed or written upon it: "Not to be protested; take this off before presenting." You may often succeed in collecting from a slow customer by the medium of a Draft, when dunning letters would fail to produce a response. When drawing on a doubtful customer be sure to attach the "No Protest," for the reason that if your Draft should be returned dishonored and protested, you will have to pay the notarial charges yourself.

Definition and Requisites of Acceptance.

The Acceptance of a Bill is the signification by the drawee of his assent to the order of the drawer, unencumbered with any condition or qualification. The acceptor evinces his consent to comply with and be bound by the order of the drawer, which is to pay the bill when due.

An acceptance is invalid unless it complies with the following conditions, namely:—

(a) It must be written on the Bill and be signed by the drawee. The mere signature of the drawee without the additional words is sufficient, but it is customary to write the word *accepted* above the signature ;

(b) It must not express that the drawee will perform his promise by any other means than the payment of money.

Where in a Bill the drawee is wrongly designated or his name is mis-spelt he may accept the Bill as therein described, adding, if he thinks fit, his proper signature, or he may accept by his proper signature.

A Draft must be accepted within Two Days after Presentment. The drawee may accept a Bill on the day of its due presentment to him for acceptance, or at any time within two days thereafter. When a Bill is so duly presented for acceptance and is not accepted within the time above mentioned, the person presenting it must treat it as dishonored by non-acceptance, and have it protested and the drawer and indorsers duly notified of dishonor. If he does not, the holder loses his right of recourse against the drawer and indorsers.

In the case of a Bill payable at sight or after sight, the acceptor may date his acceptance thereon as of any of the days above mentioned, but not later than the day of his actual acceptance of the Bill, and if the acceptance is not so dated, the holder may refuse to take the acceptance and may treat the Bill as dishonored by non-acceptance.

When a Bill is dishonored by non-acceptance, an immediate right of recourse against the drawer and indorsers accrues to the holder, and no presentment for payment is necessary.

A Bill Must be Duly Presented for Payment.

1. If it is not so presented, the drawer and indorsers shall be discharged.

2. A Bill is duly presented for payment which is presented in accordance with the following rules:—

(a) Where the Bill is not payable on demand, presentment must be made on the day it falls due;

(b) Where the Bill is payable on demand, then presentment must be made within a reasonable time after its issue, in order to render the drawer liable, and within a reasonable time after its indorsement, in order to render the indorser liable;

(c) Presentment must be made by the holder or by some person authorized to receive payment on his behalf, at the proper place as hereinafter defined, either to the person designated by the Bill as payer, or to his representative or some person authorized to pay or refuse payment on his behalf, if, with the exercise of reasonable diligence, such person can there be found;

(d) A Bill is presented at the proper place;

(1) Where a place of payment is specified in the Bill and the Bill is there presented;

(2) Where no place of payment is specified, but the address of the drawee or acceptor is given in the Bill and the Bill is there presented;

(3) Where no place of payment is specified and no address given, and the Bill is presented at the drawee's or acceptor's place of business, if known, and if not, at his ordinary residence, if known;

(4) In any other case, if presented to the drawee or acceptor wherever he can be found, or if presented at his last known place of business or residence.

Where a Bill is presented at the proper place, and after the exercise of reasonable diligence, no person authorized to

pay or refuse payment can be found there, no further presentment to the drawee or acceptor is required.

Where the place of payment specified in the Bill or Acceptance is any city, town or village, and no place therein is specified, and the Bill is presented at the drawee's or acceptor's known place of business or known ordinary residence therein, and if there is no such place of business or residence, the Bill is presented at the post office, or principal post office in such city, town or village, such presentment is sufficient.

Acceptance and Payment for Honor.

Non-Acceptance. Where a Bill of Exchange has been protested for dishonor by non-acceptance, or protested for better security, and is not overdue, any person not being a party already liable thereon, may, with the consent of the holder, intervene and accept the Bill *supra* (above) protest, for the honor of any party liable thereon, or for the honor of the person for whose account the Bill is drawn.

A Bill may be accepted for honor for part only of the sum for which it is drawn.

An acceptance for honor *supra* protest, in order to be valid, must be written on the Bill, and indicate that it is an acceptance for honor, and be signed by the acceptor for honor. Where an acceptance for honor does not expressly state for whose honor it is made, it is deemed to be an acceptance for the the honor of the drawer. Where a Bill payable after sight is accepted for honor, its maturity is calculated from the date of protesting for non-acceptance, and not from the date of the acceptance for honor.

The acceptor for honor is liable to the holder and to all parties to the Bill subsequent to the party for whose honor he

accepted, but he must be duly notified of the drawee's non-payment.

Non-Payment. Where a Bill has been protested for non-payment, any person may intervene and pay it *supra* protest for the honor of any party liable thereon, or for the honor of the person for whose account the Bill is drawn. Where two or more persons offer to pay a Bill for the honor of different parties, the person whose payment will discharge most parties to the Bill shall have the preference. Payment for honor *supra* protest must be attested by a notary on a declaration by the payer or his agent.

Where a Bill has been paid for honor, all parties subsequent to the party for whose honor it is paid are discharged, but the payer for honor is subrogated for and succeeds to both the rights and duties of the holder as regards the party for whose honor he pays, and all parties liable to that party.

Where the holder of a Bill refuses to receive payment *supra* protest, he shall lose his right of recourse against any party who would have been discharged by such payment.

Bank Commission for Collecting.

The Banks usually charge $\frac{1}{4}$ of 1 per cent for making collections. If you wish to draw for a debt, say \$200, in this province, and the drawee is to pay the exchange, the amount of your Draft would be \$200.50. If the Drawee resides in a distant part of the Dominion, or in the United States, and you cannot tell what the cost of collection will be, as the Draft will have to pass through several banks before presentation, and each be paid a commission, add the words after the amount in the body of the Draft, "WITH EXCHANGE."

Kinds of Drafts.

There are three kinds of Drafts, namely, Time, Sight and

Demand. Time Drafts are those that are intended to run a certain time after acceptance. The only difference between a Draft at Sight and a Draft on Demand is that on the former the drawee can take three Days of Grace, and the latter is payable on presentation. When you desire to give the drawee a definite number of days for the payment of a Draft after he accepts it, draw so many days after sight. If you draw so many days after date the time is fixed for the payment, irrespective of the date of acceptance. For example, to give the drawee ten actual days from sight, draw at seven days' sight; to give him four days, draw at one day's sight, and so on. The days named and the three days of grace make the time the draft will mature after sight.

***Accommodation Draft—"Kite Flying."**

It is not an unusual thing when an extensive wholesale house fails, to hear of numerous failures among retail dealers in the same line. It will be found that disaster has come upon the latter because they have lent their names to the former too freely. To illustrate: I am doing a retail business in Belleville with a fair amount of capital, my largest creditor being John Blank & Co., of Toronto. They have placed me under obligation by renewing my paper occasionally and otherwise indulging me. Better for me that they had not. They write and ask me to accept their draft at three months for \$500 beyond the amount that I owe them, giving the excuse that they have to buy a large amount of exchange to remit to England in the coming week, or they have heavy duties to pay, and they remind me of the help they have given me in the past. Being of a grateful turn, and believing that the house of Blank & Co. could not be otherwise than sound, I consent, and duly accept

*See "Accommodation Note," pages 21 and 22.

the draft, hoping that I shall not be called upon again to accommodate them with my name. At the end of three months they duly retire my Acceptance and return it to me, as I knew they would. I am surprised, however, in a few days by a request to accept two more drafts of \$500 each, for their accommodation. Similar excuses are given, and I assume an obligation of \$1,000, for which I receive no value. As time goes on similar requests continue, and so does my folly, until my name is on their paper for a sum larger than my capital. They fail with this paper under discount at the bank, and as it would be impossible for me to pay it and discharge my legitimate obligations, I, too, have to make an assignment. An accommodation party is liable on the Bill to a holder for value; and it is immaterial whether, when such holder took the Bill, he knew such party to be an accommodation party or not. Need I add the caution—never accept Accommodation Drafts, or, as the expression is, “fly kites” for anyone. The man who accepts an Accommodation Draft is in a worse position than the man who indorses an Accommodation Note. The latter can come on the maker; but the other, being the primary debtor, will only have an equitable right over against the estate of the man whom he accommodated.

Obtaining Assistance by Draft to Retire an Acceptance or Note.

A business man is frequently in such a position as the following: His Acceptance (or Note) for \$600.00 in favor of John Allen & Co., of Montreal, will fall due four days hence at the Bank of Montreal in Kingston. All he can raise towards paying it is \$300.00; so he writes them the following letter:

Kingston, Ontario, June 9, 1911.

Messrs. John Allen & Co.,
Montreal.

Gentlemen,—I regret that I shall be unable to pay in full my Acceptance for \$600 in your favor due at the Bank of Montreal here on the 13th instant. All I can raise is \$300, and I request that you will kindly permit me to draw on you at sight for the balance, \$300, for which you may draw back upon me at ten days, with interest and exchange.

Yours faithfully,

RICHARD ROE.

He receives the following reply:

Montreal, Que., June 10, 1911.

Mr. Richard Roe,
Kingston.

Dear Sir,—Your letter of the 9th inst. is received, and in reply we hereby authorize you to draw on us at sight for \$300, to assist you to retire your Acceptance in our favor, due June 13th. As requested, we shall draw back upon you for that amount, adding interest and exchange.

Yours faithfully,

JOHN ALLEN & CO.

The letter of authority to draw the draft will be shown by Roe to the manager of the Bank, with the request that the Bank will discount the Draft. He consents. Roe draws the following draft:

\$300.00

Kingston, Ontario, June 13, 1911.

At sight, for value received, pay to the order of the Bank of Montreal the sum of three hundred dollars, and charge to the account of

RICHARD ROE.

To Messrs. John Allen & Co.
Montreal.

(N.B.—Roe might draw the Draft to his own order and indorse it over to the Bank.)

Roe has the Draft discounted and leaves the proceeds, \$299.25, to his credit in the bank.

John Allen & Co. retire the Draft by Cheque on presentation.

The interest and cost of collecting the Draft which they draw back upon Roe amount to \$1.50; so they draw upon him at ten days' date for \$301.50.

Entries.

Roe's entry when he draws the Draft on Allen.	}	Bank,	Dr.	\$299 25
		Discount,	"	75
		To John Allen & Co.		\$300 00

Allen's entry when they retire Roe's Draft by Cheque.	}	R. Roe,	Dr.	\$300.00
		To Bank,		\$300 00

Allen's entry when they charge Roe with the interest and exchange on the Draft to be drawn at 10 days.	}	R. Roe,	Dr.	\$ 1 50
		To Interest		\$ 1 50

Allen's entry when they draw on Roe at 10 days.	}	Bills Rec.,	Dr.	\$301 50
		To R. Roe,		\$301 50

Roe's entry when he accepts Allen's Draft at ten days' date.	}	John Allen & Co.,	Dr.	\$300 00
		Interest,	"	1 50
		To Bills Payable		\$301 50

The Note, to retire which assistance was obtained, was duly charged to Roe's account in the Bank, and he made

Bills Payable, Dr\$600 00

To Bank \$600 00

and when he retires the Acceptance of \$301.50 he will make

Bills Payable, Dr\$301 50

To Bank \$301 50

A Bank Draft.

is a medium by which a remittance is made. You desire to send or carry money to a distance in a way that will be safe. Buy from a Bank a Draft payable on demand, at the place desired, to your order, or to that of the person for whom the money is intended. It will cost you a quarter of one per cent. more than the face, and will be cashed at par at the branch or bank on which it is drawn.

If the Draft is drawn upon a foreign country, it is called a Foreign Bill of Exchange.

Buying a Bank Draft and Making Entries for It.

When buying a Draft from a Bank, you make out a "requisition" on the form the Bank supplies, stating the amount, and where and to whose order you desire it to be made payable, and sign it. Hand the requisition to the teller with a Cheque or cash for the amount of the Draft and the exchange, which is usually $\frac{1}{4}$ of 1% and he will make out and hand you a draft similar to the following:

Banker's Draft.

\$200.00

Belleville, Ontario, December 6, 1911.

On demand, for value received, pay to the order of The Ames, Holden Company, Limited, of Montreal, the sum of two hundred dollars, and charge, with or without advice, to this office.

To the Canadian Bank of Commerce, C. M. Jenks, Manager.
Montreal, Que. R. J. Wood, Accountant.

The Ames, Holden Company, Limited, will first indorse the draft and then obtain the cash on demand at the office of the Bank of Commerce in Montreal.

Entries, Example 1.

You owe the Ames, Holden Co., Limited, of Montreal, \$200.00 and remit to them a Draft bought from the Bank of Commerce, Belleville, for that amount, the exchange costing 50 cents ($\frac{1}{2}$ of 1%). You give a Cheque for \$200.50 in payment for the Draft and exchange. Your journal entry is:

The Ames, Holden Co., Dr.	\$200 00	
Exchange (or Interest) "	50	
To Bank		\$200 50

Put through the Cash Book the entries would be:

Dr.	CASH.		CONTRA	Cr.
	To Bank, for Cheque		By The Ames, Holden	
	No \$200 50		Co., remitted Bank	
			Draft in Settlement	\$200 00
			" Exchange on above	
			Draft.	50

Example No. 2.

We will suppose that you deduct a cash discount of 5% from the amount of the account owing The Ames, Holden Co. and remit a Bank Draft in settlement for \$190.00, for which you pay \$190 + .47 exchange = \$190.47 by Cheque. Your journal entry is:

The Ames, Holden Co., Dr.	\$200 00	
To Discount		\$ 9 53
To Bank		190 47

—OR

The Ames, Holden Co., Dr.	\$200 00	
Exchange "	47	
To Discount		\$ 10 00
" Bank		190 47

Put through the Cash Book the entries would be either

Dr.	CASH.	CONTRA.	Cr.
	To Bank, for Cheque No. \$190 47	By The Ames, Holden Co., remitted Bank Draft in settlement.	\$200 00
	To Discount, 5% off The Ames, Holden Co.'s a/c, less 1 cost of Draft. 9 53		

—OR

Dr.	CASH.	CONTRA.	Cr.
	To Bank, for Cheque No. \$190 47	By The Ames, Holden Co., remitted Bank Draft in settlement	\$200 00
	To Discount, 5% off The Ames, Holden Co's a/c..... 10 00	By Exchange, on above Draft. . .	47

FOREIGN BILLS OF EXCHANGE.

Bills of Exchange were not known to the ancients. We have records, however, of their use in the fourteenth century. It is probable that a Bill of Exchange was in its origin nothing more than a letter of credit from a merchant in one country to his debtor, a merchant in another, requesting him to pay the debt to a third person who carried the letter, and was travelling to the place where the debtor resided.

This mode of making payments was found by experience extremely convenient for all parties—to the creditor, for he could thus collect his debt without trouble, risk or expense; to the debtor, for the facility of payment was an equal accommodation to him; to the bearer of the letter, who found himself in funds in a foreign country without the danger and incumbrance of carrying specie.

(F)

At first, perhaps, the letter alluded to many other things besides the order to pay money; but it was gradually disencumbered of all other matters, was left open, and the paper on which it was written gradually assumed the size and form now in use. The assignee was, perhaps, desirous to know beforehand whether the party to whom it was addressed would pay it, and sometimes showed it to him for that purpose; his consent to pay was the origin of Acceptance.

Foreign Exchange Explained.

The definition, theory and nature of Inland Exchange have been fully set forth at pages 57 to 68, and I shall now explain Foreign Exchange by the following practical illustrations: I am a produce commission merchant in Montreal, and have received from the firm of John Lord & Co., London, England, an order for a quantity of wheat. I have shipped it on board the steamship "Parisian," and have obtained from the vessel's agent (or the master or purser) the Bill of Lading duly signed (in which I have had the wheat consigned to my own order, as it is not yet paid for), and I have also insured it. The value of the wheat is two thousand pounds, for which I have John Lord & Co.'s authority to draw a Bill on them at three day's sight. I draw the Bill of Exchange upon them in the following set:

1st.

MONTREAL, CANADA, April 15, 1911.

Exchange for £2000.

Three days after sight of this first of Exchange (second and third of the same tenor and date unpaid), pay to the order of myself, the sum of Two Thousand Pounds Sterling, for value received, and charge the same to the account of

J. W. JOHNSON.

TO MESSRS. JOHN LORD & CO.

New Broad St.,

London, E. C., England.

2nd.

MONTREAL, CANADA, April 15, 1911.

Exchange for £2000.

Three days after sight of this second of Exchange (first and third of the same tenor and date unpaid), pay to the order of myself, the sum of Two Thousand Pounds Sterling, for value received, and charge the same to the account of

J. W. JOHNSON.

To MESSRS. JOHN LORD & Co.,

7 New Broad St.,

London, E. C., England.

3rd.

MONTREAL, CANADA, April 15, 1911.

Exchange for £2000.

Three days after sight of this third of Exchange (first and second of the same tenor and date unpaid), pay to the order of myself, the sum of Two Thousand Pounds Sterling, for value received, and charge the same to the account of

J. W. JOHNSON.

To MESSRS. JOHN LORD & Co.,

7 New Broad St.,

London, E. C., England.

I have now Exchange for sale, created by the export of the wheat, and the consequent debt to me of John Lord & Co. I shall sell it where I can obtain the highest price, and have offered it to several bankers. The Bank of Montreal having made the best offer, viz.: 4.87 (*that is to say, \$4.87 for each pound), I dispose of the Bill of Exchange to that institution,

*The per of Sterling Exchange is \$4.86 $\frac{2}{3}$, or 9 $\frac{1}{2}$ per cent. over the old par, which was 4.44 4-9. The rate of Exchange is the price at which it is being bought and sold daily. The Bank bought as above at \$4.87 (above par) and sold, say, at \$4.88.

indorsing it to the order of the Bank, and I also indorse the Bill of Lading over to the Bank, and, likewise, assign to it the policy of insurance.

The Bank of Montreal will forward immediately by mail these three documents to its London agency. The Bill of Exchange will be presented to and accepted by the importers of the wheat, John Lord & Co., who are the drawees of the Bill. At the expiration of six days, the accepted Bill will be presented again to John Lord & Co., this time for payment.

When payment is made, the three documents will be indorsed by the Bank over to John Lord & Co., who will be entitled to receive the wheat from the vessel on her arrival, or payment of insurance in case of loss or damage. If the Bank had full confidence in John Lord & Co., it might indorse the Bill of Lading over to them at the time they accepted the Bill of Exchange.

The Bank having bought Exchange on London, or the debt owing to me there, is now in a position to sell Exchange on London. Here are a dozen Montreal merchants desirous of paying debts that they owe in London, and knowing that the Bank has Exchange for sale they will save the trouble and expense of transmitting bullion (gold or silver) by buying Bills drawn by the Bank of Montreal on its London agent for the various sums that they may require, and to the order of the persons to whom they are indebted, until the two thousand pounds, representing the export of the wheat, is exhausted. If the bank, in order to meet its customers' demands, should issue Bills to a larger amount than the two thousand pounds, it could make one remittance in coin to cover the overdraft. In actual practice, however, this would not be necessary for any one day's transactions, for the Bank has bought other Bills

of Exchange, has other funds available in London, or, if not, has credit, which is just as good. However, if the overdraft on its London correspondent continued, the Bank would require periodically to remit coin, or buy Exchange from some other Bank to remit. An estimate of the cost of sending a million dollars in gold across the Atlantic is given at page 78.

You will see from the above how large international transactions are conducted, and many acts of Exchange accomplished by a single transfer of specie. Gold is the common denominator of value. Bills of Exchange represent it, and gold could be obtained for them, but it is not the actual medium of Exchange. The wheat that I exported paid for the importations of a dozen merchants, which is practically barter, where equivalent quantities of goods are made to pay for each other.

From the transactions in Exchange mentioned as occurring in one Bank in Montreal, let your mind dwell on the hundreds of similar transactions that are occurring daily in the great cities of the continent, in connection with their exports and imports, and you will understand when you read in the papers, "that bullion has been shipped from England to America" (or vice versa), that one such transmission is the single settlement coin for thousands of international transactions, whereby freight charges, insurance and actual loss of gold, that would be involved if each one had to ship gold to meet his individual debts, are avoided.

Bills of Exchange drawn anywhere on this continent against exports to any port of Europe are usually negotiated through London Bankers. London being the greatest commercial centre in the world, its Banks are able to provide better facilities for effecting exchanges than those of any city on the continent of Europe.

Par of Sterling Exchange Explained.

Previous to gold coinage by the United States, the Spanish or Mexican dollar was the standard unit of value upon the American continent, as the English pound sterling was the unit of value in Great Britain. The equivalent of the pound sterling in Mexican dollars was \$4.444, which was the then par of exchange, and is now referred to as the "old par" of exchange, because it is not now used. When the United States issued its coinage and made the gold dollar the standard unit of value, it made the intrinsic value of the coin just $9\frac{1}{2}$ per cent. less than the old Mexican dollar. It became necessary, therefore, to arrive at its just value, to add $9\frac{1}{2}$ per cent. to it, to make it the equivalent of the old Mexican dollar, and we thus have the anomaly of $9\frac{1}{2}$ per cent. advance, being the par of sterling exchange. Thus \$4.444 multiplied by $.09\frac{1}{2}$ gives 42.22 cents, which, added to \$4.444, makes \$4.8666, the present equivalent in Canadian or United States currency.

The Cost of Shipping Gold from New York to England.

The cost, as estimated in New York City, for shipping a million dollars in gold to England, to meet overdrafts, or in settlement between bankers, is as follows:

Loss of Interest, 8 days,	-	\$	500
Insurance,	- - -		900
Freight,	- - - -		1075
Cooperage, Cartage, etc.,			50
		—	\$2525

This amounts to slightly more than a fourth of 1% on a million. There would also be a slight loss from abrasion.

Buying a Bill of Exchange on London, and Making Entries For It.

You are making a remittance by Bill of Exchange to the firm of Leaf, Sons & Co., London, England, to meet an Acceptance of yours, due at their office in London, two weeks hence, for £200. The rate is $10\frac{1}{8}$ (that is $10\frac{1}{8}\%$ over the old par of Exchange 4.44 4-9, $4.44\ 4-9 \times 200 = 888.88$, and $888.88 + 10\frac{1}{8}$ of $888.88 = \$978.87$, which is the amount the Bill will cost you). As the rate includes the Bank commission you will give your cheque for \$978.87 in payment for the Bill, and your entry will be:

Bills Payable, Dr...	\$978 87
To Bank	\$978 87

When you accepted the Draft for £200, you probably made the entry in blank, as follows:

LEAF, SONS & Co., Dr.
 To Bills Payable.
 Accepted their Draft at 60 days'
 sight for £200, payable at their
 office in London, B. P.—due.

The reason why the figures are not carried out is, that you cannot tell how much the bill will cost, as the rate of exchange is constantly fluctuating. Carry out the figures when you remit and know the cost.

In the event of closing the books before remitting to retire a Sterling Acceptance, and consequently before knowing what it will cost, it is customary to anticipate some rate, and if the actual cost differs from it, make a journal entry to adjust it. For example, you anticipated the rate of above acceptance at $9\frac{1}{2}$ and carried out \$973.33, but it cost actually when remitting \$978.87. In addition to the entry—

Bills Payable Dr....	\$978 87
To Bank	\$978 87

you will require to make another entry to adjust the difference as follows:

Discount, Dr. \$5 54

To Bills Payable. \$5 54

and give explanation.

Bills In a Set.

Three, or at least two, Bills are issued in a Set of Exchange (see pages 74 and 75), each part of the set being numbered and containing a reference to the other parts; the whole of the parts constitute one Bill, and one part having been paid the others are void. The original object of issuing more than one Bill was that they might be sent by different conveyances, and whichever one was presented first to the drawee was paid, and the others were thereby made void. When the ocean mails were carried by sailing vessels, delays were frequent. A vessel bearing the second of exchange, although sailing two weeks later than the one by which the first was sent, might reach its destination at an earlier date than the other. The punctuality of the ocean mails now renders it, usually, unnecessary to remit more than one Bill of a set.

LETTER OF CREDIT.

A Merchant on this side of the Atlantic going to England to purchase goods and wishing to pay spot cash and secure the cash discounts, as well as save the cost of remitting, will carry with him a Letter of Credit. The Letter of Credit is issued by his banker in Canada upon a Bank, say in London, and authorizes the Bank in London to cash Cheques or Drafts of the payee named in the Letter of Credit up to the limit stated in it. Or a Letter of Credit might convey from a Bank to its agent in another country, as in the example below, authority to cash Drafts up to the limit named, of one individual upon another, the individual upon whom the Drafts are to be drawn being a Depositor of the Bank that issued the Letter of Credit.

COLONIAL BANK, BARBADOS, W. I., 26th January, 1911.
Messrs. Brown Brothers & Co.,

Agents Colonial Bank,
New York.

DEAR SIRs,—

You are hereby authorized to cash the Gold Drafts, without deduction, of Mr. Belfield Grannum on Mr. E. T. Grannum of this Island, at 30 days' sight to the extent of \$520, say Five Hundred and Twenty Dollars, this Credit to remain in force for three months from date.

The Messrs. Grannums' signatures were sent you last year.

I am, Dear Sirs,

Yours faithfully,

F. J. HOWELL,

Manager.

This places Mr. Belfield Grannum in the position to obtain funds from Brown Bros., New York, to the amount named, on the credit of the Colonial Bank, Barbados.

Circular Letters of Credit

are issued by some banks for use by travellers. They are more convenient than a Bill of Exchange, because money can be obtained upon them in various countries, in almost every important town, and usually in all the cities. The identification of the person to whose order a Circular Letter of Credit is drawn is usually established by his signature on the margin, certified by the banker who issued it, or by his signature in a separate "Letter of Indication" with "List of Correspondents." Where he is an entire stranger, to prove his identity, he has only to submit his signature for comparison with that which his banker certified to be his.

On the next two pages will be found a reduced fac-simile of a used Circular Letter of Credit issued by the Canadian Bank of Commerce on which money was obtained in fourteen different cities.

CHEQUES ON A BANK.

A Cheque is a Bill of Exchange drawn on a Bank, payable on demand.

Form of Cheque On a Canadian Bank.

<p>STUB. (Retained in Cheque Book.)</p> <p>No. 1,053</p> <p>June 2nd, 1911.</p> <p>In favor of Geo. Ritchie & Co,</p> <p style="text-align: right;">\$75.50</p> <p>In full of Account to date.</p>	<p>No. 1,053. Belleville, Ont., June 2nd, 1911.</p> <p>‡To the Canadian Bank of Commerce.</p> <p style="text-align: right;">(Belleville Branch.)</p> <p>+Pay Messrs. Geo. Ritchie & Co., or order,</p> <p>Seventy-five 50/100.....Dollars.</p> <p style="text-align: right;">\$75.50 (In full of Account to date.)</p> <p style="text-align: right;">*ROBINSON & JOHNSON.</p>
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In the above example Robinson & Johnson have funds on deposit in the branch of the Bank of Commerce at Belleville, and desiring to pay George Ritchie & Co. the amount of their account, give them a cheque for \$75.50. The cheque drawn as above will serve as a receipt when it is paid and received back from the bank, because it is payable to the order of the payee, names what it was given for, and must be endorsed by George Ritchie & Co. before they can transfer it, or draw the money on it. If the Cheque was made payable to bearer it would not require to be indorsed and would be payable to any one. This form of Cheque would not serve as a receipt.

Accepted Cheques.

On receiving a Cheque from the drawer, the payee should present it at once to the Bank for acceptance, and within a reasonable time for payment. The ledger keeper is the officer who accepts it, and the teller the one who pays it. If a Cheque is issued undated the holder may insert a date.

*Drawer. †Payee. ‡Drawee. Make cheques only from your own Cheque Book, and never omit to number them (consecutive y).

See also the form of Cheque (with explanations) at page 86.



Reduced Fac-Simile of a used Circular
Letter of Credit.

No. 0343

THE CANADIAN BANK OF COMMERCE.

Toronto, 20 June 1888

To the Bankers

in our Letter of Introduction

This letter will be presented to you by
Mr Edward Huxton and Mrs Mary Huxton

in whose favor we have opened a credit of
One hundred and forty pounds sterling

to be available by cheque or draft on

The Bank of London, London
which we request that you will negotiate at the current rate
of the day, less your usual charges.

The drafts should bear the following clause

"I am hereby authorized to pay to the order of
they should be drawn within one year from the date hereof,
and the date and amount of each draft cashed are to be
entered in the space provided on the back of this letter."

We and Mrs Huxton

are provided with a copy of our Letter of Introduction
wherein these instructions may be found

Yours faithfully,
The Canadian Bank of Commerce

Wm Macgregor
J. Macgregor
J. Macgregor
J. Macgregor

Reverse.

SPECIFICATION			
OF PAYMENTS MADE UNDER THIS LETTER OF CREDIT.			
DATE WHEN PAID	AMOUNT IN WORDS	AMOUNT IN FIGURES	
1908 July 19	LIVERPOOL CITY BANK LTD	Twenty pounds	20
Sept 5	Bank of England, London	Twenty pounds	20
	PORTSMOUTH BANKING CO LIMITED	Eight pounds	8
		Two pounds	2
Nov 1	Bank of India, London	Twenty pounds	20
	Bank of India, London	Eight pounds	8
	Bank of India, London		
20	Imperial Ottoman Bank	Twenty pounds	20
25	PAID BY OTTOMAN BANK LIMITED ATHENS	Twenty pounds	20
27	HOLME & COY	Eight pounds	8
	HOLME & COY	Eight pounds	8
	FRENCH LEON & CO FLORENCE	Eight pounds	8
	FRENCH LEON & CO FLORENCE	Eight pounds	8
27	ROTHOS, COOK & SON VENICE	Eight pounds	8
27	TR. COOK & SON LUCEPNE	Twenty pounds	20



MICROCOPY RESOLUTION TEST CHART

ANSI and ISO TEST CHART No. 2



1.0



1.1



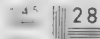
1.25



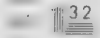
1.4



1.6



2.0



2.2



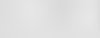
2.5



2.8



3.2



3.6



4.0



4.5



5.0



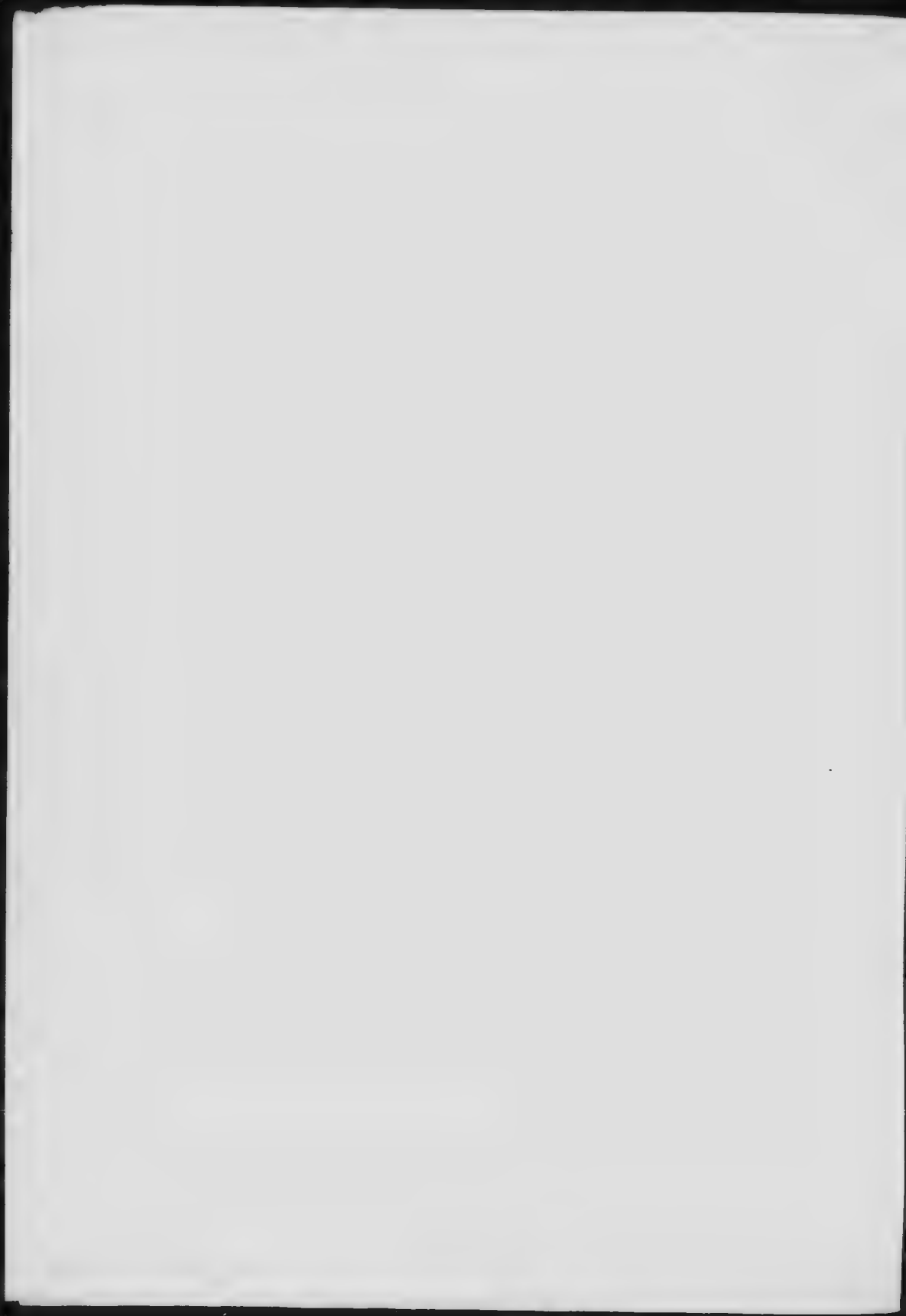
5.6



6.3



APPLIED IMAGE Inc



Indorsing Cheques.

A Cheque payable to bearer is negotiated by delivery*; one payable to order is negotiated by indorsement and delivery. The safest way is to make Cheques payable to order. See indorsements at pages 35 to 41. Do not indorse a Cheque until you present it for payment, when you will indorse it in blank. If you transfer it to another person, it will be well to indorse it in full, so that the indorsee must indorse it before transferring or getting the money for it. If your name is misspelt indorse as it is written, then add your proper signature.

When drawing money from the Bank to put in the till, it is usual to draw the cheque payable to "cash or bearer." It would not do to draw it payable to "cash or order," for cash could not indorse it.

Important Judgment Respecting Cheques.

(From the Montreal Star.)

An important judgment for bankers and business men was rendered by Justice Jette in the Superior Court (Montreal) yesterday in the case of the Exchange Bank against the Quebec Bank in connection with the Varey defalcations. The liquidators of the Exchange Bank, Campbell, Mathews and Stearns, held a cheque for \$800 from one Trudeau. The Cheque was on La Banque du Peuple. The liquidators indorsed the Cheque "deposit." Varey, their confidential agent, presented the Cheque, which read, "In favor of Campbell, Mathews & Stearns, or bearer," and had it cashed, put the money in his pocket, and absconded. The plaintiffs sued the Quebec Bank, alleging that they had no right to cash the Cheque as it was indorsed for deposit. The Court held that the negotiability of a Cheque "payable to bearer" could not be restricted by any indorsement, and that the clerk of the Quebec Bank on receiving the Cheque in question was not

*Banks sometimes require a cheque payable to bearer to be indorsed, but it is usually a cheque drawn on another Bank, not accepted or marked good. The indorsement will be security on the part of the indorser in the event of the Cheque being dishonored when presented at the Bank on which it is drawn.

bound to turn it over and look for any indorsation so long as the Cheque was on its face payable to bearer. The Quebec Bank, further, could not be accused of negligence in paying a Cheque drawn on another Bank, as Varey was known to them as a confidential agent of the plaintiffs. The action was therefore dismissed.

Number your Cheques so that you may have
Numbering the satisfaction of knowing that they have been
Cheques.. returned; preserve them, consecutively numbered,
 in packages, so that you can produce them, to
 prove a payment, at any time.

Form of Cheque on a United States Bank.

(The usual stub, as on page 82, to the left.)

New York, May 21, 1910. No. 1846.

THE CORN EXCHANGE BANK.

Pay to the Order of J. W. Johnson.....\$27.58

Twenty Seven 58/100.....Dollars

In full payment as follows: April account.

Albert B. King & Co.

(No receipt required.)

It will be seen that no letter is required to accompany the above cheque. The cheque is simply put in an envelope, which is addressed and mailed to the payee. The payee is not required to make any formal acknowledgement. The indorsement on the back is equivalent to a receipt. The firm that issued the cheque will receive it back at the end of the month, at the time when its Bank Pass Book is balanced by the Bank.

This draft is in payment of the following item :
 If not correct return without altering.

Statement			
July 1, 1910		12 58	
TOTAL			
NET AMOUNT			

Your endorsement is sufficient receipt.
 The Business Man's Publishing Co., Limited

Another Example.

The Business Man's Publishing Co., Ltd.

No. 6664

Detroit, Mich., July 13th 1910.

Pay to the order of

I. L. MOORE \$12.58

87

Twelve and 58/100 Dollars

To the Peninsular Savings Bank,
 Detroit, Mich.

The Business Man's Publishing Co., Limited.

F. C. PARKER Treasurer

A. E. F. WHITE,
 V. Chairman.

FOR PAY ROLL No.	
\$10 Bills	.....
\$5 Bills	.....
\$1 & \$2 Bills	.....
Silver Dollars	.....
Halves	.....
Quarters	.....
Dimes	.....
Nickels	.....
Cents	.....
Total	.....

Statement of Account Placed on Back of a Cheque.

Placing a statement of account owing the payee on the back of a cheque when remitting to him, he having rendered a statement incorrect or subject to deductions.

CASH BOOK
IN ACCOUNT WITH

[illegible]

Indorse below

The Bank Account.

My experience as an accountant and auditor has convinced me that it is always the better way to show dealings with a Bank through a Ledger Account; transactions are more easily traced, and not only is there less liability to error, but there is diminished opportunity for fraud.

The debtor side of your account with the Bank **Analysis of the Bank Account.** shows deposits, discounts and collections; the credit side, withdrawals (either by Cheque or Draft), and the Notes and Acceptances which you made payable at the Bank, and which have been charged to your Account at maturity. If the Dr. side is the larger, the difference is the amount on deposit; if the Cr. side is the larger, the difference is the amount overdrawn. The Account closes either to or by balance.

Many book keepers keep the Bank account solely in the Cash Book. An example of the method will be found at pages 96 and 97.

Leave your pass book in the Bank on the **Checking the Bank Account** last day of each month to be balanced. About the 2nd or 3rd of the new month it will be handed to you (after you have signed an acknowledgment that the balance shown is right), together with the Cheques, Notes and Acceptances that have been paid for you and charged to your Account up to the end of the previous month. You will sometimes find that the balance in the Bank pass-book and the balance in your book do not agree. In this event find what Cheques are missing by noting the numbers that are absent, refer to the corresponding stub numbers, and you will find (unless mistakes have been made) that the sum of the absent Cheques is the difference. The absent

Cheques had not been presented for acceptance when the pass-book was made up; you have credited the Bank with them in your Ledger, but they had not then been charged by the Bank to your account, hence the discrepancy.

Keep Daily Track of Your Bank Balance. It is a most unpleasant experience for a reputable business man when he has given a cheque in good faith, to have it returned with the remark, "no funds," and possibly notarial charges to pay. Men who have no financial reputation to sustain "don't care," and frequently put persistent creditors off temporarily by drawing cheques which they know there are no funds to meet. A man who wants to know daily how his balance stands, and who cannot keep the bank account in the ledger posted closely, can keep track of the bank transactions on the back of the stubs of his cheques as follows:

The balance this morning was \$920.70.

\$100. \$57.20. \$60.30.

Three cheques were issued to-day,

Nos. 129, 130, 131.

The proceeds of a note discounted amount to \$430.20.

A deposit was made to-day of \$600.

On the back of the stub of the last cheque issued write

Balance over,	-	-	-	-	\$920 70
Deduct,					
Cheques Nos. 129,	-	-	-	\$100 00	
130,	-	-	-	57 20	
131,	-	-	-	60 30	
				<hr/>	217 50
					<hr/>
					\$703 20
Add					
Proceeds of a note discounted	-	-	-	430 20	
" Deposit	-	-	-	600 00	1030 20
				<hr/>	<hr/>
Present balance	-	-	-		\$1733 40

A man will not, unless he designs to do it, issue Cheques for which there are no funds if he attends accurately to this matter each day.

Deposit Ledger of a Bank.

Showing constantly the state of a customer's account.

THE RITCHIE COMPANY, Limited.

Date	Folio	Dr.	Cr.	PARTICULARS.	Dr. Bal.	Cr. Bal.
1911						
June	3 585		1600 00	Deposit,		1600 00
"	3 586	200 00		Check,		1400 00
"	4 381		460 70	Proceeds of Discount,		1860 70
"	12 393	860 00		Note due to-day.		1000 70
"	15 393		99 75	Collection (T. Jones),		1100 45
"	15 596	920 00		Acceptance due to-day		180 45
"	16 602	300 00		Check,	119 55	
"	23 610		820 00	Deposit,		700 45

Rate of Exchange on Cheques.

Cheques presented at any other branch of the Bank than that in which the drawer's funds are on deposit, are subject to a deduction for Exchange of usually $\frac{1}{4}$ of 1%. You should, therefore, make your Cheque for the amount of the debt and the Exchange, if it is to be paid at another branch. If you keep a fair balance with your banker on current account, on which no interest is allowed, he may grant you the concession of marking your Cheque payable at par at the branch where it will be presented for payment.

Precaution Against Fraud.

Draw your Cheques so that they cannot be raised or altered. In the examples given on pages 82 and 86, you will observe that there is no unfilled space to the left of the written amount, and the fraction (or if no fraction $\frac{00}{100}$) follows close up to it on the right. Neither on one side nor the other can any word be added. Broadly stated, if you fail to observe due

precaution in drawing a cheque, and thereby invite fraud, and it should succeed, you, and not the bank, will be the loser. If the bank pays a forged Cheque, the bank will be the loser.

(From The Toronto Mail—Montreal Correspondence.)

Gigantic Fraud.

A MONTREAL BANK VICTIMIZED TO THE TUNE OF \$25,000
BY A RAISED CHEQUE.

One of the most daring cases of fraud ever recorded in this city was perpetrated to-day. Charles Page, a clerk in the employ of Beauchemin & Valois, booksellers of St. Paul street, yesterday afternoon received a Cheque signed by the firm on the Banque du Peuple and payable to bearer for \$25. The Cheque was accepted by the Bank, and Page then coolly went to work and raised it to twenty-five thousand dollars by adding the three decimals to the figures in the corner and writing the word "thousand" in the body of the Cheque. Thinking that it would be risky for him to present a Cheque for such a large amount of money, he cutely went to a friend of his, Mr. Jos. Duclos, of the firm of Jos. Duclos & Co., commission merchants, and stating that he was not well known at the Bank, asked him to go over to the Jacques Cartier Bank, with which Duclos had extensive dealings, and get it cashed for him. Mr. Duclos consented, and going to the Bank received the \$25,000 in hard cash, which he handed to Page, who had remained waiting outside. Page thanked his friend for his kindness and coolly took his leave. Shortly afterwards the Cheque in question, with a number of others, was sent over to the Banque du Peuple, on which it was drawn, when the fraud was immediately discovered. The alarm was given, the Jacques Cartier Bank was notified, and in a few minutes the whole detective force of the city was on the lookout for Page, but he was nowhere to be found.

Decisions of the Courts on Raised Cheques.

The Supreme Court, the United States Circuit Court and the Court of Common Pleas have rendered the following decision:

"The maker of a Cheque is obliged to use all due diligence in protecting it; the omission to use the most effectual protection against alterations is evidence of neglect, which

renders him responsible for the fraudulent amount, the bank being responsible only for the genuineness of the signature, and ordinary care in paying the Cheque."

The United States Circuit Court gave the opinion, "if there was nothing unusual in the appearance of a raised Cheque, nothing sufficient to put a careful person on his guard, the bank should not be held responsible for paying it."

The courts have decided that usually the maker of a Cheque alone is responsible. If the Cheque is drawn in an incomplete manner, he himself prepares the way for fraud, and, if committed, he, not the bank, suffers whatever loss is sustained.

Identifying Strangers on Cheques.

Take care when identifying a payee on a Cheque or Draft to enable him to draw money, that you do not incur responsibility. For example: John Jones, whom you know, wants you to identify him on a Cheque or Draft payable to his order that has not been accepted. He indorses it; underneath his signature write, "Identified by," and sign your name. Doing this, you certify only that he is John Jones; but if you simply indorse your name under his, you would guarantee both the man and the money. He may say, "but I cannot get the money on personal identification only;" your reply would be, "well, let it be sent for collection, I decline to incur any responsibility beyond identifying you." You may not get up a reputation as an "obliging fellow," but you will have the satisfaction of knowing that you are safe.

Crossed Cheques.

To cross a Cheque is to convey a direction to the bank upon which it is drawn, that payment can be made only in a particular way, and likewise to the holder of the Cheque that he can receive payment only in that way. Cheques may be crossed either generally or specially.

When it is intended that a Cheque shall not be negotiable, except through a bank, it is crossed.

1. Where a Cheque bears across its face an addition of:—

(a) The word "bank" between two parallel transverse lines, either with or without the words "not negotiable," or

(b) Two parallel transverse lines simply, either with or without the words "not negotiable."

That addition constitutes a crossing, and the Cheque is crossed generally.

2. Where a Cheque bears across its face an addition of the name of a bank, either with or without the words "not negotiable," that addition constitutes a crossing, and the Cheque is crossed specially, and to that bank.

A Cheque may be crossed generally or specially by the drawer.

3. Where a Cheque is uncrossed, the holder may cross it generally or specially.

4. Where a Cheque is crossed generally, the holder may cross it specially.

5. Where a Cheque is crossed generally or specially, the holder may add the words "not negotiable."

6. Where a Cheque is crossed specially, the bank to which it is crossed may again cross it specially to another bank for collection.

7. Where an uncrossed Cheque or a Cheque crossed generally, is sent to a bank for collection, it may cross it specially to itself.

8. A crossed Cheque may be re-opened or uncrossed by the drawer writing between the transverse lines, and initialing the same, the words "pay cash."

Crossed Cheques are not often seen in Canada, but they are largely in vogue in England, Ireland and Scotland. Following are instructions from an English firm to its customers:

Customers are requested in future to cross all Cheques, Drafts, Money Orders and Postal Orders, thus:

*The London & Southwestern Bank, Limited.
Erdmann & Schanz's Account.*

and to make them payable in London, or at Balham.

ERDMANN & SCHANZ,

116 Bedford Hill, Balham, S. W.

February, 1911.

Bookkeeping Entries for Cheques.

When you deposit in the bank, you make the Bank Dr. to Cash. When you draw a Cheque, credit the Bank and debit the person to whom, or the account for which, it has been issued. When you receive a Cheque, make Cash Dr. to the person from whom, or the account for which, you receive it.

Cheques may be posted direct from the stubs to the ledger, or they may be journalized or put through the cash book, and from there posted to the ledger. It is not necessary to credit each Cheque singly. The Cheques issued in a day or a week or a month may be credited in one sum to the bank account. Four Cheques were issued to-day, journalize them from the stubs as shown on page 98.

Keeping the Bank Account Solely in the Cash Book.

Many business houses keep no Bank account in the ledger. They keep the bank account in the Cash book as illustrated at pages 96 and 97.

In this Cash Book the Method of
Cash Book only

DR. CASH.

BELLEVILLE

Date.		FROM WHOM RECEIVED.	Street	Reg. No.	HOW RATED.					Reference No.	Total Amount.
					Flat.	Lawn.	Meter	Meter Rent.	S'nd's		
1911											
July	3	Judge Fraleck.....	Moirs.....	645	9 30					22	9 30
	6	Rev. D. Bogart.....	W. Bridge..	188	9 50					27	9 50
	"	L. R. Terwilligar....	Moirs.....	98	7 50					8	7 50
	"	S. J. Wedden.....	N. Front...	64		6 00				11	6 00
	"	D. McLean.....	Alexander..	75		6 00				17	6 00
	"	Bank of Commerce...	Front	25	11 50					37	11 50
	"	R. Tannahill.....	George....	180	9 50					6	9 50
	"	Norris Bros.....	(Show).....	S					2 50	253	2 50
	"	D. Graham.....	Charles....	606		6 00				14	6 00
	7	D. Coyle.....	Front.....	684			29 30	50		1	29 80
	"	R. J. Graham.....	"	724			49 50	1 00		17	50 50
	"	Geo. Ritchie & Co....	"	52			36 54			24	36 54
	"	Trenton Electric Co..							26 27	39	26 27
	"	W. J. Andrews.....	Coleman...	60	10 00					16	10 00
	16	G. T. R.....			462 50					23	462 50
	"	G. T. R (Extra)					576 78			23	576 78
	27	D. & D. Institute....			450 00					16	450 00
	30	John Smith.....	Dundas....	42	20 00					13	20 00
					990 00	18 00	692 12	1 50	28 77		1730 39
Aug	1	Balance in Bank....		1114.93							
		" on Hand....		3.99							

Keeping the Bank Account in the
Is Illustrated.

WATER WORKS.

CR. CASH.

Date.	BANK ACCOUNT.					TO WHOM PAID.	FOR WHAT ACCOUNT.	Voucher No.	Amount.
	Dr.	Cr.	Dr.	Cr.	Bal.				
1911									
July 7	Dep	65 00			Dr 65				
" 9			76	39 00	" 26	G. T. R.—Freight	Coal Account	17	39 00
" 11						Pay Sheet 6.	Services.	12	6 87
" 11						F. Baker.	" Carting	19	50
" 10		150 00			" 176				
" 12			77	83 73	" 92 22	Rathbun Co.	Coal.	20	33 73
" 16		1039 28			" 1131 50				
" 20			78	25 07	" 1106 43	Walker Co.	Mains.	21	25 07
" 20						Pay Sheet 7.	Services.	22	14 75
" 26			79	146 00	" 960 43	W. Alford.	Mains—on acc't	23	146 00
" 27		450 00			" 1410 43				
" 29			80	275 00	" 1135 43	Standard Fuel Co.	Coal.	24	275 00
" 30			81	20 50	" 1114 93	J. W. Walker.	Pump House Ex	25	20 50
						Bal'ce in Bank, 1114.93			
						" on hand, 3 99			1118 92
	1704 28	580 35	Dr 1114 93						1730 39
	1114.93		Dr. 1114.93						

Journalizing Cheques.

Sundries to Bank,	-	-	-	-	\$120 00
J. Chapman & Co.,	-	-	-	For cheque No. 129, in full of acct.	75 00
Expense.	-	-	-	" " 130, rent to date.	100 00
C. Brown	-	-	-	" " 131, salary to date.	304 00
Bills Payable	-	-	-	" " 132, retired, B. P. No. 309.	
					\$599 00

Place the Journal folio in red ink or colored pencil on each stub as it is journalized, or, if it is put through the Cash Book, put the Cash Book folio on it.

Instead of Journalizing cheques, you may post each one direct from the stub to the account in the Ledger for which it was given, and credit the Bank Account with the total issue, daily, weekly or monthly.

Putting Cheques Through the Cash Book.

It is often more convenient to put Cheques through the Cash Book than through the Journal. To put the above Cheques through the Cash Book instead of the Journal, make the following entries :

DR.		CASH.	CONTRA.		CR.
Date	Folio		Date	Folio	
1911 May 9	303	To Bank, for cheque No. 129,	1911 May 9	247	By J Chapman & Co., in full acc., by cheque 129
"	304	" Bank, "	"	304	" Expense rent, by cheque 130
"	305	" Bank, "	"	132	" C. Brown, salary, by cheque 131
"	306	" Bank, "	"	57	" Bills Payable, retired B. P. No. 309, by cheque 132.
					\$120 00
					75 00
					100 00
					304 00
					304 00

BILLS OF LADING (OR SHIPPING BILLS.)

The expression "BILL OF LADING" includes all receipts for goods, wares or merchandise, accompanied by an undertaking to transport the same from the place where they were received to some other place, whether by land or water, or partly by land and partly by water, and by any mode of carriage whatever.

Banks are empowered to acquire Bills of Lading, as *collateral security for the payment of any debt incurred in their favor in the course of their business; and they may exchange Warehouse Receipts (see Warehouse Receipts, pages 104 and 105) for BILLS OF LADING on shipment of goods previously covered by Warehouse Receipts. There is the same penalty for making a false statement in a Bill of Lading, or alienating goods covered by one, as in the case of Warehouse Receipts. See page 105.

A Bill of Lading may be transferred, if deliverable to order, by indorsement just like a Bill of Exchange. The indorsee becomes the actual proprietor of the goods. While a Bill of Lading may be transferred in the same manner as a Bill of Exchange, yet there is a material difference in these instruments. Bills of Lading are titles to specific goods and to no others, but Bills of Exchange are not titles to any specific sum of money, but to an amount of money. The Bill of Lading has as its origin a Bailment; a Bill of Exchange has as its origin a debt. The law of goods applies in the one case, while the law of money applies in the other case. Refer to page 12.

*Collateral Security means additional or contemporaneous security.

A FORM OF BILL OF LADING.

(By Water Transportation.)

SHIPPED in apparent good order by S. G. Beatty, Hamilton, Ontario, and consigned to (or to the order of) Messrs. J. Taylor & Co., Montreal, in and upon the steamer Passport, whereof Thomas Smith is master or agent for the present voyage, and now lying in the port of Hamilton, viz.:

Marks and Numbers	Articles.	Weight
J. T. & Co. M. 139	<i>Thirty-five Boxes Tea, Forty-six Bales Paper Bags.</i>	2100

Being marked and numbered as per margin; and are to be delivered in like good order and condition at the port of Montreal, in the Province of Quebec (the Act of God, the King's enemies, Fire, and all and every the dangers and accidents of the Seas, Rivers and Navigation, of whatever nature and kind excepted), he or they paying freight for the said goods at the rate of twenty-five cents per cwt.

In witness thereof, the Master or Purser of said vessel hath affirmed to THREE Bills of Lading, all of this tenor and date; one of which being accomplished, the rest to stand void.

JAS. S. JOHNSON,
Purser.

Dated at Hamilton, this 21st day of June, 1911.

Three Bills of Lading are frequently given, all constituting (just like foreign Bills of Exchange) one bill. This is done in order that one may be sent to the consignee and the others retained by the consignor, to be forwarded in the event of the loss of the first.

The expression a "Free Bill of Lading" means where goods are consigned to the BUYER direct, instead of to the order of a bank, which would not give up control until the goods are paid for, or a draft for the amount accepted or paid.

The expression "Through Bill of Lading" means that goods are to be forwarded by several lines of transportation and the agent of the Company receiving them from the shipper receipts for them over the various lines to their destination, the several companies having made arrangements by which this can be done.

When Bills of Lading are attached to Drafts. Bills of Lading are often attached to Drafts, as evidence to the drawee that the goods were shipped by the drawer, and also as security to the latter that the drawee will not obtain possession of the goods until he has accepted or paid the draft.

SHIPPERS BY RAILWAYS SECURE

NEW FORM OF BILL OF LADING.

IMPORTANT CHANGES MADE.

Carmen Must Now Prove Freedom From Negligence and Initial Carrier Made Responsible For Goods.

The Board of Railway Commissioners has made an order approving of the two forms of bill of lading for use in Canada, namely, that for consignments "to order" and that for so termed "straight consignments," which were submitted by the authorized representatives of the carriers and shippers some time ago for approval. The committees worked on a suggestion thrown out a little over a year ago by Chairman Mabey, who suggested that an effort be made to agree as far as possible upon the terms of the contract.

The new conditions, effective Oct. 1st, 1909, are entirely different from those which appear on the back of the present railway bill of lading. There is an obligation imposed upon the carrier from which it was formerly relieved, due to the fact that the old conditions were prepared by the carriers. They placed all responsibility upon the shipper, and even in the case of negligence on the part of the carrier the shipper had to prove it. This has been entirely changed, the carrier must, under the new contract, prove freedom from negligence. Under section 2 the initial carrier is made responsible for the carriage and safe delivery of goods at destination if in Canada, whether or not they pass over one or more lines. It is also responsible through to destination in all cases where there are joint tariffs. This applies to foreign countries.

The fact of the carriers agreeing to the above, as well as the many other favorable features of the bill from the shippers' point of view, are a good illustration of the friendly spirit in which the negotiations were carried on, and the recognition of the respective rights of all concerned. The representatives of the carriers acknowledged that many of the conditions at present in effect were relics of barbarism and joined in an honest effort to evolve a contract that would make clear the relative obligations of the contracting parties.

There are other changes in the various clauses of great interest to shippers, but only a comparison of the old and new conditions would give the shipper a fair idea of the value of the order.

The matter was brought before the Board of Railway Commissioners on the complaint of the Canadian Manufacturers' Association, supported by the Bankers' Association, and by various Boards of Trade, merchants and shippers throughout the Dominion.

I recently received the following questions respecting Bills of Lading from Ottawa, Ontario. They involve the most important points in connection with this subject:


QUESTIONS.

When a wholesale house sends goods "to order," what should a person do if he is working in a freight office? On the Way Bill (or manifest) will be written "to order"; sometimes "to the order of John Jones, notify him"; again, "to the order of the Bank of ——' notify James Smart"; and again, "to order, hold it." Why are these goods sent "to order?" Is the Agent of the railroad obliged to notify the parties of the arrival of the goods? When the goods are delivered why does the agent collect the Bill of Lading?

ANSWERS.

Goods are usually consigned by the seller direct to the buyer's name on the Bill of Lading. Goods are consigned "to order" by rail or vessel when the shipper, at the time of shipment, has not yet sold the goods, but wants to have them at the point designated for convenience of sale; or, having sold them, is awaiting payment or security before giving up possession.

Example from Tag Attached to Goods.

	ORDER F. L. SMIDTH & CO.
	NOTIFY LEHIGH PORTLAND CEMENT CO. LTD.
	BELLEVILLE,
	ONTARIO, CANADA.
	<hr/>
F. L. S. 5230.	-FROM-
F. L. SMIDTH & CO., Engineers,	
Cement Making Machinery	
No. 41 CORTLANDT ST., NEW YORK.	

When goods are consigned to the order of a Bank, with instructions to notify James Smart, the Bank is acting as the agent for the shipper, and Smart, for whom the goods are intended, is notified of their arrival so that he may go to the Bank and, by paying the draft drawn for the goods, secure the Bill of Lading, which the Bank will indorse over to him. He will then be the owner of the goods, entitled, after payment of freight, to get possession of them. The agent of the railway or purser of the vessel collects the Bill of Lading to prove the

completion of the contract, on the same principle that if you sign a note payable to order and subsequently pay it, you require that it shall be delivered up after being endorsed by the payee, as evidence of the discharge of the debt.

*WAREHOUSE RECEIPTS.

The expression "Warehouse Receipt" means any receipt given by any person for any goods, wares or merchandise in his actual, visible and continued possession, as bailee (agent) thereof, in good faith, and not as of his own property, and includes receipts given by any person who is the owner or keeper of a harbor, cove, pond, wharf, yard, warehouse, shed, storehouse or other place for the storage of goods, wares or merchandise, for goods, wares and merchandise delivered to him as bailee and actually in the place, or in one or more of the places owned or kept by him, whether such person is engaged in other business or not.

STUD.	WAREHOUSE RECEIPT.
No. 127.	No. 127.
<i>Belleville, Sept. 29, 1911.</i>	The undersigned acknowledges to
RECEIVED FROM SILAS ALLEN,	have received from Silas Allen, of
1350 bush. No. 2 Barley.	the Township of Sidney, and to
Entered	have now stored in his warehouse in
Warehouse Ledger,	Belleville, Ontario, thirteen hundred and fifty bushels of No. 2 Barley, to be delivered pursuant to the
Folio 1.	order of the said Silas Allen, to be
Folio 2.	indorsed hereon, and to be kept in
	store till delivered pursuant to such
	order.
	This is intended as a Warehouse Receipt with
	in the meaning of the Statute of Canada, intituled
	"An Act Respecting Banks and Banking," and any
	amendments thereto, and within the meaning of all
	other Acts and laws under which a Bank in Canada
	may acquire a Warehouse Receipt as security.
	Dated at Belleville the } R. W. CAMERON
	29th day of Sept. 1911 } Warehouseman.

*The explanation of the transfer of a Bill of Lading, given in paragraph 3 on page 99, is applicable to Warehouse Receipts. Refer to page 12 also.

The above is a form of receipt granted for grain, flour, or other commodity stored in a warehouse. It is called a **WAREHOUSE RECEIPT**, and serves a very useful purpose in business transactions. It is made subject to the order of the individual, and is thereby negotiable by his indorsement. The goods represented by it may be sold and transferred without the buyer personally seeing them. The bargain being concluded, the holder simply indorses the receipt and hands it to the purchaser, who now becomes the owner of what is stored.

Loans are made by Banks upon Warehouse Receipts, as collateral security, and in other ways it is a valuable and convenient business paper. Any one who wilfully makes a false statement in a Warehouse Receipt, or who, having control or possession of goods covered by any Warehouse Receipt, alienates them, or withholds them after demand by the legal owner, is liable to imprisonment for a term not exceeding two years.

DEBENTURES OR BONDS.

Debentures or Bonds (q. v.) are securities upon which municipalities, and incorporated companies that have the legal authority, borrow money to be repaid after or during a long period of time. They are negotiable instruments payable to bearer so that they can be transferred by delivery without the transferrer incurring any responsibility. Attached to each Debenture there are Interest Coupons, (q. v.) two for each year of the period for which the Debenture has to run, when the interest is (as is usually the case) payable semi-annually. The bonds of a Railway or Mining Company are usually secured by a mortgage upon its property held by trustees for the bondholders. They are known as First Mortgage Bonds, Second Mortgage Bonds, Preference Bonds, etc., according to their priority of issue, or because of an antecedent position assigned to them by special vote of shareholders and prior bondholders.

Sinking Fund. A Sinking Fund is created and maintained for the purpose of meeting the principal of Debenture debts at maturity, by laying aside certain sums annually for that purpose. As the money is invested the sums are charged to Sinking Fund No. 1, 2, 3, etc.

MUNICIPAL DEBENTURE.

(One of an Issue of 100,000.)

\$1,000

PROVINCE OF ONTARIO.

L No. 1.

DEBENTURE OF THE CITY OF BELLEVILLE.

Under the Authority of the Acts of the Legislature of the Province of Ontario, and in accordance with the Provisions of By-Law No. 462, of the Corporation of the City of Belleville, the said The Corporation of the City of Belleville promise to pay the Bearer, at the Bank of Montreal, in the City of Belleville, aforesaid, the sum of one thousand dollars of lawful money of Canada, on the 16th day of November, Nineteen Hundred and Nineteen, and will also pay the Coupons hereunto attached, as the same shall severally become due.

In testimony whereof, the Mayor of the said City has signed and sealed, and the Treasurer thereof has countersigned these presents at Belleville, the Sixteenth day of November, 1899.

I. P. THOMPSON

Treasurer, City of Belleville.

I. W. JOHNSON,

Mayor, City of Belleville.

PROVINCE OF ONTARIO.	PROVINCE OF ONTARIO.	PROVINCE OF ONTARIO.	PROVINCE OF ONTARIO.	PROVINCE OF ONTARIO.
The Corporation of the City of Belleville will pay the Bearer at the Bank of Montreal at Belleville, Twenty Dollars for one-half year's interest on Debenture L. No. 1 Coupon No. 40, on the Sixteenth day of November, 1919.	The Corporation of the City of Belleville will pay the Bearer at the Bank of Montreal at Belleville, Twenty Dollars for one-half year's interest on Debenture L. No. 1 Coupon No. 30, on the Sixteenth day of May, 1919.	The Corporation of the City of Belleville will pay the Bearer at the Bank of Montreal at Belleville, Twenty Dollars for one-half year's interest on Debenture L. No. 1 Coupon No. 20, on the Sixteenth day of November, 1918.	The Corporation of the City of Belleville will pay the Bearer at the Bank of Montreal at Belleville, Twenty Dollars for one-half year's interest on Debenture L. No. 1 Coupon No. 10, on the Sixteenth day of May, 1918.	The Corporation of the City of Belleville will pay the Bearer at the Bank of Montreal at Belleville, Twenty Dollars for one-half year's interest on Debenture L. No. 1 Coupon No. 30, on the Sixteenth day of November, 1917.
J. W. JOHNSON,	J. W. JOHNSON,	J. W. JOHNSON,	J. W. JOHNSON,	J. W. JOHNSON,
Mayor.	Mayor.	Mayor.	Mayor.	Mayor.
J. P. THOMPSON,	J. P. THOMPSON,	J. P. THOMPSON,	J. P. THOMPSON,	J. P. THOMPSON,
Treasurer.	Treasurer.	Treasurer.	Treasurer.	Treasurer.

Thirty-five more Interest Coupons would follow these, as the Debenture has to run twenty years.

FIRST MORTGAGE BOND OF A MINING COMPANY.

One of an issue of \$70,000.

No.

PROVINCE OF ONTARIO, CANADA.

\$1,000

THE GATLING GOLD AND SILVER MINING COMPANY,

Incorporated by Act 36 Vic., Cap. 109, and amended by Acts 38 Vic., Cap. 69, and 39 Vic., Cap. 89.

FIRST MORTGAGE BOND.

The Gatling Gold and Silver Mining Company acknowledge to owe, and promise to pay to the holder hereof, at the Office of the **Merchants Bank**, in the City of Belleville, Ontario, the sum of **One Thousand Dollars**, on the Twentieth Day of August, nineteen hundred and thirteen, together with interest on the same, at the rate of Eight Dollars for every hundred dollars by the year, to be paid semi-annually on the Twentieth day of February and Twentieth day of August in each year, on the delivery of the annexed Warrants or Coupons, as they shall severally become due, at the office of the said Merchants Bank, in the City of Belleville, aforesaid, and with like interest thereafter until the principal of this Bond is paid in full. This Bond is one of a series amounting in the aggregate to **Seventy Thousand Dollars**, secured by a **Mortgage** bearing date the Twentieth day of August, nineteen hundred and three, for a like sum on the Lands, Mines and Mills of this Company, to James Frederick Dennistoun and George Edward Shaw, of the Town of Peterboro, Trustees, which Bonds are numbered from One to Seventy, inclusive, and countersigned by the said Trustees. And the said Company agree that this obligation,

(H)

and all rights and benefits arising therefrom, may be transferred by delivery as if the same was a note of hand and payable to bearer.

This Bond is subject to the following conditions, to wit:

1. That no dividend shall be paid on the stock of this Company until the whole of the said Bonds and the interest thereon are paid, or a sufficient amount to meet the same is deposited in one of the Chartered Banks in the City of Belleville, and especially appropriated for the payment of the same

2. That the said Company retains to itself the right to pay off this, and any or all of the said Bonds, after the expiration of one year, upon giving six months' notice, which may be given by advertisement once in the *Ontario Gazette*, and by letter deposited in the Post Office, addressed to the holder thereof at his last known Post Office address, and on the expiration of the said notice of six months the interest on the Bonds so called in shall cease.

Given under the Corporate Seal of said Company, this Twentieth day of August in the year one thousand nine hundred and three.

President.

Secretary.

{ L. S. }

**The Gatling Gold and Silver
Mining Company**

Will pay the Bearer at the
MERCHANTS BANK in the City
of Belleville, Ontario, on the
20th day of August, 1904.

FORTY DOLLARS.

Interest due on that day, at
the rate of 8 per cent. per
annum, on bond

No....

\$40.

Secretary.

**The Gatling Gold and Silver
Mining Company**

Will pay the Bearer at the
MERCHANTS BANK in the City
of Belleville, Ontario, on the
20th day of February, 1904.

FORTY DOLLARS.

Interest due on that day, at
the rate of 8 per cent. per
annum, on bond

No....

\$40.

Secretary.

Eight more Interest Coupons would follow these, as the Bond has to run ten years.

*The letters L. S. stand for the words *Locus Sigilli*: place of the Seal.

QUESTIONS FOR REVIEW.

INTRODUCTORY.

What is the British North America Act?

When did it come into force?

What Parliament has the power to deal with Bills and Notes?

What is the Dominion Statute called which codified the laws relating to Bills and Notes?

What is Common Law?

What is Statute Law?

From what has the Law relating to Bills of Exchange grown?

What is the Law-making power of merchants known as?

Give two illustrations of the controlling effect of the Law-merchant.

What are the commonest forms of Contracts?

Name the two kinds of Contracts?

How may Simple Contracts be made?

How must Specialty Contracts be made?

What is essential in every Contract?

When suing on a Simple Contract, what must be proved?

Does this requirement apply to a Specialty Contract?

What is the exception to the general rule with respect to Notes and Bills?

When is a Simple Written Contract duly made?

When is a Specialty Contract duly made?

What may a consideration be?

What is the Statute of Frauds, and when was it passed?

It requires that certain Simple Contracts shall be in writing; name the principal cases

What Contracts must be not only in writing but be under Seal?

What may be recalled and what may not be recalled?

What is a Seal?

Who are competent to make a Contract?

What would be a Contract against public policy?

What is a minor?

What must be attached to a Contract with a corporation to make it binding?

How is authority conferred upon an agent?

- How does the agent sign?
- In making a Contract by correspondence, what is required?
- What do the words, "Without Prejudice" mean?
- When do Contracts become outlawed?
- What is Negotiable Paper?
- Name some negotiable instruments?
- Differentiate between negotiable documents and assignable documents.

QUESTIONS FOR REVIEW.

PROMISSORY NOTES.

- State the advantages of holding a note against a debtor.
- State the disadvantages.
- Explain the term "discounting a note."
- Give a definition of a Promissory Note.
- What is meant by a determinable future time?
- Name the parties to a note.
- To what extent may one partner make notes?
- How are notes transferred?
- When may notes be transferred?
- Explain a negotiable note; a note negotiable without indorsement; a note negotiable by indorsement.
- Would the absence of the words "value received" render a note invalid?
- Give the form of a non-negotiable note; a note negotiable by indorsement; a note negotiable without indorsement; a note payable on demand; a joint and several note.
- Explain a joint and several note.
- What is the difference in the liability of, say, three joint and several makers on a note and that of a maker and two indorsers on a note?
- What is a marksman's note?
- Explain a joint note.
- What are the rights of a third party in a negotiable note?
- What are the rights of an assignee of a non-negotiable note?
- Explain an accommodation note. Give an example, and state why it is made payable to the order of the indorser, and not to the order of the lender.

Is a note good that is made payable after death?

What may be done in regard to a lost note?

Discrepancy between words and figures, which is payable?

Name circumstances that do not invalidate a note.

What is a holder in due course?

What must be done on a note given for a patent right?

What is the effect of altering a note?

Explain what is meant by the legal rate of interest.

Under what circumstances would you insert the words, "AS WELL AFTER AS BEFORE MATURITY UNTIL PAID" in a note bearing interest?

What is a usury law?

What are days of grace?

When would a note drawn three months from October 26 fall due?

When would a note drawn at ninety days from October 26 fall due?

When would a note drawn at nine months from May 29th fall due?

What is a power of attorney?

How does the holder of a power of attorney sign business papers for his principal?

What does the abbreviation per pro. stand for?

When does a note become outlawed in Ontario?

What is the Statute of Limitations?

What is the act of indorsing?

What are its effects?

Explain indorsement in blank, and what the holder may do.

Explain indorsement in full; qualified indorsement; restrictive indorsement; indorsement for deposit only.

How could you prove the payment of a note?

What is the order of indorsers' liability?

Explain guarantee on a note.

Where should a note be presented for payment?

Who are entitled to recover on a note, and what may be recovered?

What are the proceedings to be taken to hold indorsers on a note not paid at maturity?

If the services of a notary cannot be obtained, who may perform his functions?

What is waiving protest? Give examples.

Why is it unnecessary to protest a note on which there is no indorser?

What is noting?

What position is the person in who takes a note that is past due?

How should partial payments be acknowledged on notes?

When you have paid a note, what should you do with it?

When renewing your note, what should you receive?

What is merger? Give an example.

What is a bill receivable?

What is a bill payable?

In book-keeping what are the accounts representing notes called?

Analyse the bills receivable and bills payable accounts.

Give the entries of the maker having a note renewed.

Give the entries of the holder when renewing a note.

Give the entries of each for partial renewals.

State two important points in connection with bills receivable and bills payable accounts.

What is the authorized method of working discount?

Give journal and cash book entries. The same for notes bearing interest.

Quote from the Bills of Exchange Act respecting days of grace.

What is a non-juridical day?

Explain a Lien Note.

Is a Lien Note negotiable?

Which Legislature deals with Lien Notes?

What is an I. O. U.?

QUESTIONS FOR REVIEW.

DRAFTS.

Give a definition of a Draft or Inland Bill.

Explain the difference between a Note and a Draft.

How many parties are there to a Draft? Name them. Explain each one's position. Which one accepts the Draft?

What party to an acceptance stands in the same position as the maker of a note?

What party to a draft stands in the same position as the first indorser on a note?

To hold the drawer of a dishonored bill what must be done and when?

Explain the theory of exchange.

Give an example of a draft with three firms or persons and two debts concerned.

How is a draft payable ten days after sight accepted?

How is a draft payable ten days after date accepted?

From what date do you reckon the maturity of a draft drawn ten days after date?

From what date do you reckon the maturity of a draft drawn ten days after sight?

What is a draft called after it has been accepted?

Under what circumstances are the drawer and payee of a draft the same person?

To whose order is it made payable?

Give the drawer's entry for a time draft.

Give the payee's entry.

Give the drawee's entry.

Give an illustration of exchange.

State the acceptor's liability. State the drawer's liability. State the indorser's liability.

In case of dishonor, who may recover and what?

What will be done when a draft is dishonored?

How may a protest be avoided if desired?

Give definition and requisites of acceptance.

How many days has a drawee for the acceptance of a draft before it can be regarded as dishonored?

Explain what is due presentment for payment.

What is meant by accepting a draft supra protest?

What is meant by paying a draft supra protest?

What is the usual rate of bank commission for collecting drafts?

How will you insure the collection of a definite sum when you cannot tell how much the exchange will be?

Name the three kinds of drafts. Explain each.

To give a person four clear days to pay a draft, no matter how long it may take to reach him, how would you draw it?

To give him fifteen days?

To give him three days?

To give no time?

What is an accommodation draft?

What expression is used to describe this method of raising money?

How would you proceed to obtain assistance by draft to retire an acceptance or note?

What is the object of a bank draft?

What does par mean?

Entries when buying a bank draft?

When is a draft called a foreign bill of exchange?

What was its origin?

Give an illustration of foreign exchange.

How many bills are usually issued in a set of exchange?

Why is more than one issued?

Give the form of the first bill in a set of exchange. The second. The third.

Explain the par of sterling exchange.

What is the cost of shipping gold from New York to England?

Entries when buying a bill of exchange on London.

What is a letter of credit?

What is a circular letter of credit?

QUESTIONS FOR REVIEW.

CHEQUES.

Give a definition of a cheque.

Give a form.

How is a cheque drawn that it may serve as a receipt?

What act of the payee would prove payment?

Explain what is an accepted cheque.

What officer of the bank accepts it?

What officer of the bank pays it?

How is a cheque payable to bearer negotiated?

How is a cheque payable to order negotiated?

When should you indorse a cheque?

Why should cheques be numbered?

How should cheques be preserved?

Analyse the bank account.

How should you cheque the bank account?

If a discrepancy exists between the pass book, when balanced, and your account, how do you find the cause?

State a simple method of keeping daily track of your balance in bank.

What is the rate of exchange charged on cheques? When is it charged?

Cheques payable at par at another branch, explain.

How will you take precaution against fraud?

How would you identify a payee?

What are crossed cheques?

Give journal entries for cheques?

Put cheques through the cash book.

How may the Bank Account be kept only in the Cash Book?

QUESTIONS FOR REVIEW.

BILLS OF LADING AND WAREHOUSE RECEIPTS.

What does the expression Bill of Lading mean? Under what circumstances may a Bank acquire a Bill of Lading? What is the meaning of "Collateral Security"?

How may Bills of Lading be transferred?

What are the conditions, and what are the exceptions in the contract?

Why is more than one B. L. given?

Explain the expressions "Free Bill of Lading," "Through Bill of Lading."

Under what circumstances are Bills of Lading attached to Drafts?

What does it mean when goods are consigned "to order" on a B. L.? to the order of an individual? to the order of a Bank?

Why is the B. L. collected when goods are delivered?

What does the expression "Warehouse Receipt" mean?

To be delivered pursuant to order, what does that expression mean?

What may Banks do respecting Warehouse Receipts?

What is the penalty for making a false statement in a Bill of Lading or Warehouse Receipt, or for alienating or withholding goods covered by a Bill of Lading or Warehouse Receipt?

QUESTIONS FOR REVIEW.

DEBENTURES OR BONDS.

What are Debentures or Bonds?

How are they made payable, and for what reason?

What are Coupons?

What is the meaning of Mortgage Bonds and Preference Bonds?

Explain "Sinking Fund."

What do the letters L. S. stand for?

A NOTARY PROTESTING A NOTE FOR NON-PAYMENT.

At pages 39 to 41, under the heading, "The Proceedings to be taken on the Non-Payment of a Note having an Indorser," you will find the subject of protesting explained. It is here illustrated by a Note made by John Smith, payable to the order of J. W. Johnson, indorsed by him, and discounted (money borrowed on it) at the Merchants Bank, and not paid at maturity.

Due June 4, 1911.

Belleville, Ont., May 1st, 1911.

One month after date I promise to pay to the order of J. W. Johnson, at the Merchants Bank of Canada, Belleville, the sum of fifty.00 Dollars, value received.

John Smith.

The note is indorsed by J. W. Johnson.

Protested by me for non-payment this 4th day of June, 1911.
W. N. Porton,
Notary Public

**Protest for Non-Payment of a Promissory Note,
Payable at a Stated Place.**

ON THIS *Fourth* day of *June* in the year
1911.

I, *William Nisbet Ponton*, a Notary Public for the Province of Ontario, dwelling at *the City of Belleville*, in the Province of Ontario, at the request of *The Merchants Bank of Canada*, did exhibit the original Promissory Note hereunto annexed unto a clerk at *The Merchants Bank of Canada, Belleville*, being the stated place where the said Note is payable, and there speaking to him did demand payment of the said Note, unto which demand he answered *no funds and no account*.

WHEREFORE, I, the said Notary, at the request aforesaid, have protested and by these presents do protest against the promissor and indorser of the said Note and all other parties thereto or therein concerned for all costs, damages and interest present and to come for want of payment of the said Note.

ALL of which I attest by my signature and official seal.

W. N. Ponton, (SEAL)
Notary Public.

Notices mailed
the 5th day of
June A. D.
1911.

AND AFTERWARDS I, the aforesaid protesting Notary Public, did serve due notice, in the form prescribed by law, of the foregoing protest for non-payment of the Note thereby protested upon *John Smith and J. W. Johnson*, the promissor and indorser, by depositing such notices,

Protest, 50c.

Notices, 50c.

Postage, 2c.

\$1.02

directed respectively as follows:—to the said *John Smith, Belleville, Ontario, and J. W. Johnson, Belleville, Ontario*, in His Majesty's Post Office, *Belleville*, on the *fourth day of June, 1911*, and prepaying postage thereon.

IN TESTIMONY WHEREOF, I have on the last mentioned day and year at *Belleville*, aforesaid, attested these presents by my signature and official seal.

W. N. Ponton,

Notary Public.
(Seal.)

<i>Dated 4th day of June, 1911.</i>	<p>PROTEST</p> <p>OF A</p> <p>PROMISSORY NOTE</p> <p>PAYABLE AT A STATED PLACE.</p> <p>For \$50</p> <p><i>Promissor J. Smith.</i></p> <p><i>Indorser J. W. Johnson.</i></p>	<p><i>Note</i>\$50.00</p> <p><i>Fees</i>1.02</p> <p><u> \$51.02</u></p> <p>(The above protest being folded, this would appear on the back.)</p>
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Notice to Indorser of Protest of Note.

Belleville, June 4th, 1911.

To *J. W. Johnson, Belleville, Ontario.*

SIR,—

Mr. *John Smith's* Promissory Note for \$50, dated at *Belleville*, the *first day of May, 1911*, payable *one month* after date to *J. W. Johnson*, or order, and by you indorsed, was this day, at the request of *The Merchants Bank of Canada*, protested by me for non-payment.

W. N. Ponton,

Notary Public.

This notice to the indorser is *absolutely necessary in order to hold the indorser liable.*

Notice to Maker of Note.

Belleville, June 4th, 1911.

To John Smith at Belleville, Ontario.

Sir,—

Your Promissory Note for \$50, dated at Belleville, the *first day of May, 1911*, payable one *month* after date to *J. W. Johnson*, or order, was this day at the request of the *Merchants Bank of Canada*, duly protested by me for non-payment.

W. N. Ponton,
Notary Public.

This notice to the maker is not necessary, but it is customary to send it.



Canada's Standard Business Books Described.

A 40-Page Catalogue Describing

"THE CANADIAN ACCOUNTANT,"

Now in the 15th Edition,

"Joint Stock Company Bookkeeping,"

Now in the 13th Edition,

"Promissory Notes, Drafts & Cheques,"

Now in the 11th Edition,

Will be forwarded Free, to any address
throughout the world.

**These Books have a wider demand than any
similar works published in Great
Britain or America.**

Address

J. W. Johnson, F. C. A.,
Ontario Business College,
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Established in the Year 1868.

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of Chartered Accountants....

Belleville, Ontario, Canada.



O. B. C.

Differs from almost all similar institutions in the fact that it is conducted by Chartered Accountants and business men of extensive practical experience.

It is the most prosperous and successful Business College in Canada, and the most widely attended in America. Every section of Canada and the United States, eleven of the West India Islands, South America and England have been represented among its students. Its Principal is the author and publisher of Canada's Standard Business Books, and was president of the Institute of Chartered Accountants of Ontario in 1908.

The Illustrated Catalogue of the College, with other interesting matter describing Belleville and the far-famed Bay of Quinte, is sent free to any address.

—Write to—

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